The MAGAZINE of WALL STREET

and BUSINESS ANALYST

Cover

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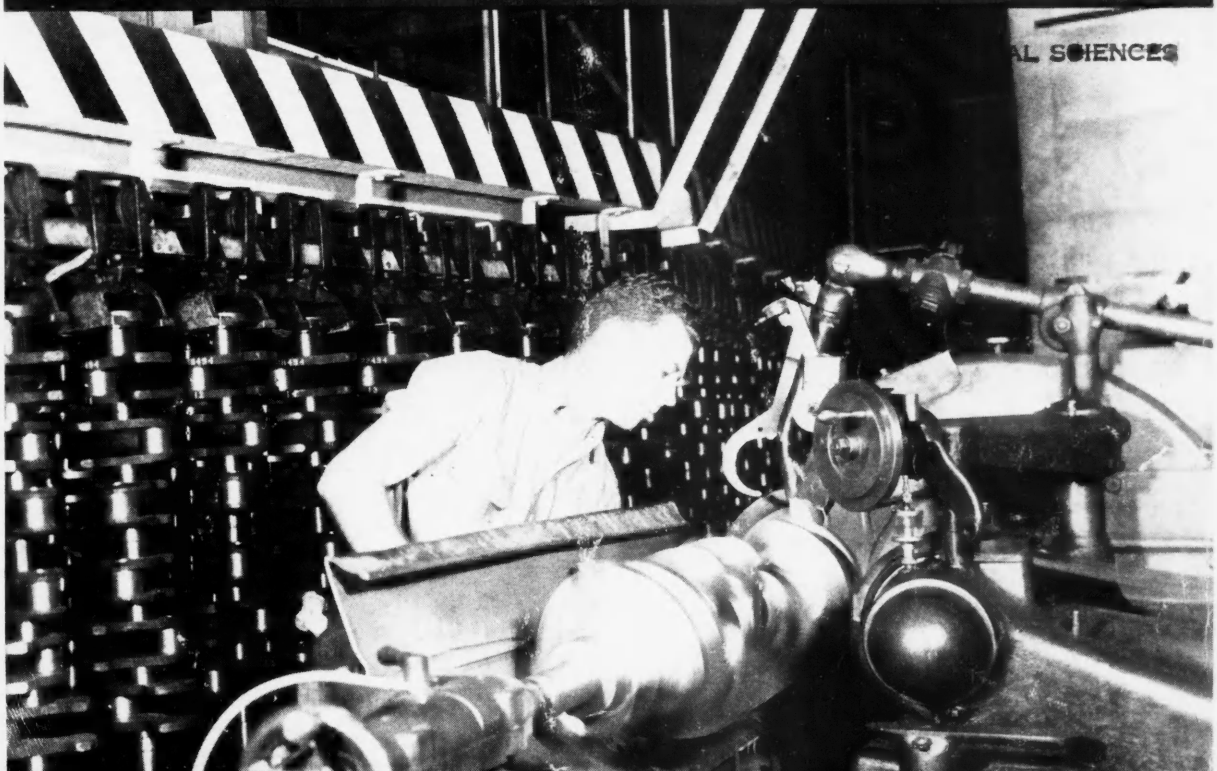


★ WHERE DO STOCKS STAND TODAY?

— 200 OF THE MOST ACTIVE STOCKS

RATED: BUY — HOLD — OR SELL

— WITH INDIVIDUAL COMMENTS ON EACH STOCK

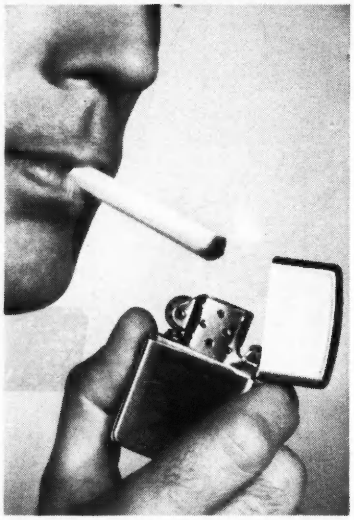
PART I. By A. T. MILLER & WARD GATES

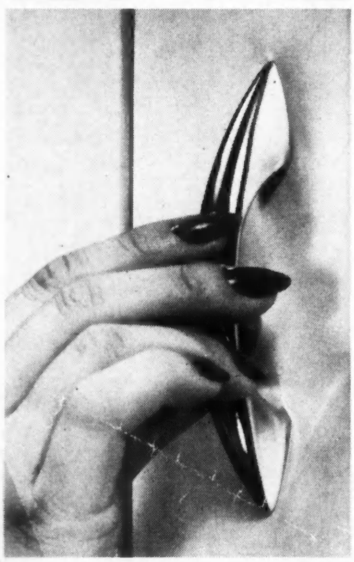
★ CANADA GETS BILL FOR SPECULATIVE EXCESSES

By V. L. HOROTH

★ WHAT CAN STEELS EARN IN 1955 OPERATING AT 75% CAPACITY?

By W. L. SCHROEDER





THE MAGAZINE OF
WALL STREET
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CONTENTS

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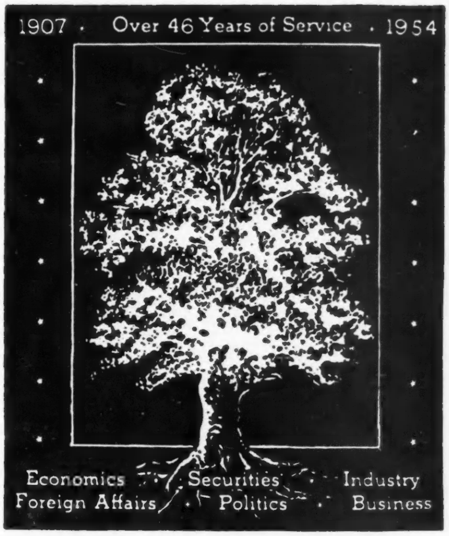
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE FUTURE OF THE REPUBLICAN PARTY . . . Now that the Senate has reached its verdict on the Watkins Committee charges against Senator McCarthy, the Republican party must pay the penalty as it now faces a struggle for control, which can well prove devastating to its future. If the leadership of the party wishes to avoid such a catastrophe, it must make every effort to bind up the wounds and formulate a workable program with the Administration. Otherwise, not only will the national election in 1956 be forfeited to the opposition but the Republican party itself will be in danger of being irretrievably damaged. The two-party system is essential to the welfare of this country. At all costs, it must be preserved.

DOLLAR GAP DISAPPEARS . . . While there are still huge sections of the world which are in a parlous economic condition, in some important respects, the change for the better in the past few years in the free nations has been nothing short of phenomenal. Thus, the dollar gap which plagued the free world from 1946 to 1950 has virtually disappeared. At the same time, aggregate gold and dollar reserves of the countries outside the Iron Curtain have increased $9.5 billion and are now close to $28 billion, and international trade in the free world has expanded from $57 billion to $75 billion in 1953 and will be even higher this year.

All this, of course, indicates that the foundations have been well laid for convertibility of currencies and, in passing, let it be said that the United States played an enormous role in bringing about this vast improvement. However, not content with having reached economic equilibrium after years when disaster seemed to stare them in the face, some foreign nations still wish to extract important trade concessions from the United States and, not a few, have no hesitation in requesting further financial assistance in one form or another.

Perhaps it is necessary to inform the world, at least that part which is just as prosperous as ours, that the time has ended for further hand-outs from Uncle Sam. We may be called on for political and military reasons to extend aid to certain under-developed regions, particularly in the free portion of Southeast Asia, but the others ought to stand on their own feet.

AN IMPORTANT KEY TO BUSINESS . . . When the Treasury, acting in concert with the Federal Reserve Board, ended its short-lived and costly hard money policy last June in response to universal complaints from business, and shifted to a policy of abundant credit at low money rates, it took the first indispensable step to reverse a downward business trend that was then threatening to assume real momentum. By virtue of this act, the recession was halted, and there can be little doubt now that ample credit at low cost has vitally contributed to the im-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

provement in business which set in during the past several months.

In our complex economy, money rates and credit conditions play an exceedingly important role. In fact, the liquidity of the banking system is the sine-qua-non to active business and this can only be supplied through efficient supervision and direction of the money market by the Treasury and Federal Reserve Board jointly. It is not an exaggeration to say that these constituted authorities, through the manner in which they manipulate credit, hold the key to business.

It is significant that in the recent government financing, the Treasury avoided issuing long-term bonds, taking the practical stand that this would entail raising the rate of interest and thus interfere with the financing of private industry and other public bodies at a critical period. Under the conditions, the Treasury was compelled to forego its need to reduce the current huge outstanding short-term debt through refunding into long-terms, postponing this necessary step until some other and more favorable time.

Having learned from its past unpleasant experience that precipitous raising of money rates and restrictions of credit can seriously affect business, it may be presumed that the responsible financial agencies will be quite chary about altering their present easy money policy. On the basis of that assurance, business can more confidently make its plans for next year.

CONFUSION ON CORPORATE EARNINGS . . . In an effort to dispel some current misapprehensions among investors concerning the actual size of corporate earnings, we published an article in a recent issue on the difference between "book" earnings, as reported to stockholders by their corporations, and "cash" earnings. A great deal of confusion is prevalent on this subject not only among investors but, even, among economists who may be more familiar with the theory of corporate accounting than its practice.

One of the reasons for the confusion is the failure to understand the increasingly important role which the rapid depreciation write-off plays in the amount of net income a company may show. This more recent type of corporate accounting came into force under the emergency defense program initiated when the Korean war started. Under the tax regulations governing the newer depreciation allowance, corporations using this facility are permitted to depreciate new facilities built for the defense program — but which actually may be in use by the corporation for many years—at a 20% rate annually for 5 years, instead of the customary 5% rate for 20 years. Obviously, this concentrates depreciation deductions into a relatively brief period, with a proportionate diminishing effect on the earnings reported to stockholders. Naturally, a considerable portion of earnings may be concealed from the inattentive stockholder's gaze if he fails to appreciate the effects of the rapid tax write-off with reference to the consequent under-statement of earnings.

Although information on this vital subject is easily available, several economists have recently set out to prove that American corporations have been over-stating, rather than under-stating, their earnings. In doing so, they entirely ignore the effect of accelerated amortization in the past few years and for the next several years, as well. In support of their thesis that earnings are over-stated, they claim that corporations, in their depreciation policies, have not made sufficient provision for the effects of the 15-year inflation, and that the cost of replacing older facilities at today's prices would be exceptionally severe. This may have been true to some extent according to depreciation policies of the earlier years of the inflation period but has no reference to today's situation. Their argument continues with the assertion that if the maximum had been made for depreciation, earnings reported to stockholders would have been much less than shown.

The trouble with this theory is that it assumes the corporations would be faced with a colossal financial problem if they were compelled to replace all their old facilities with new, at today's high prices. But of course, no corporation conducts its affairs on that basis. Old machinery and plants are kept in repair; new parts are bought, and the facilities are kept in use as long as they are serviceable. Replacements are made gradually, and over a period of years, and the costs thus average out.

If, indeed, there had been the stupendous deficit in replacements of facilities as alleged to be the case, corporations would have been paying out dividends to stockholders at a rate far greater than warranted and, by this time, their treasuries should have been fairly empty. But, of course, this is not so. Working capital is at the highest in history and bankers and insurance companies, who are keen judges of corporate credit are only too happy to assist in financing these concerns at low rates, something they would not do if the true earnings position of the companies were less favorable than reported.

No doubt, some economists of the academic type take pleasure in arranging statistics to fit a particular theory. No matter how earnest these scholars may be, however, we believe the net effect is to befuddle the public. In this particular instance, investors should recall that the base for depreciation deductions for many years has been established not by the companies themselves but by the Treasury Department. Also, it is worth recalling that the Securities & Exchange Commission has never, to our knowledge, protested that corporate earnings have generally been over-stated. We are sure that if they thought the investing public was being misled in this respect they would have been highly vocal in opposition.

While stockholders owe it to themselves to examine their companies' earnings statements carefully, as a means of securing vital information, they can rest assured that, as a general proposition, corporations today are by no means over-stating their earnings, contrary to what some economists are saying.

DEFENSE SPENDING TO INCREASE . . . The long decline in defense spending has ended. According to Defense Secretary Wilson, about $35 billion in new appropriations will be requested by the Defense Department which is some $7 billion above the sum appropriated in 1954. It is calculated that actual spending by the end of the 1955 fiscal year will have reached an annual rate of about $35 billion, but this will be at the expense of having consumed a considerable portion of unused and unspent (*Please turn to page* 355)

As I See It!

By JOHN CORDELLI

A POLICY FOR AMERICA

The shock and anger among Americans which followed the announcement of the Red Chinese authorities that, in flagrant violation of the Korean truce, they had sentenced as spies to long terms of imprisonment eleven of our airmen, is being transmuted into a feeling of general uncertainty in this country over the Administration's policies with respect to the barbarous Peiping regime.

Aside from the natural blow to our pride, America is swept with dismay that the aggressive Red Chinese government should be able, with impunity, to affront this powerful nation.

In view of this latest insult to the United States, it is rather amazing that some Americans, who would have never allowed themselves to be led into the trap by Moscow, have nevertheless fallen victim to multitudinous European appeasers to such an extent that they talk of "co-existence" as if it were workable and as if we would not be finally called on to pay the bill if this or any other Administration proved so weak as to succumb to current world-wide co-existence propaganda.

The most that "co-existence" can mean is: No Peace and No War. We certainly do not want war and will never provoke it. But, on the other hand, the Communist powers, despite their fine words, do not want a real peace, as they have shown us in their illegal imprisonment of American soldiers, of whom there are undoubtedly many more languishing in Chinese prison pens than they have acknowledged.

It is very well for the European powers to say that they want us to exercise leadership in bringing about co-existence. What they really mean is that America must give them an uninterrupted opportunity to trade with the Red Empire, at the same time that we pay the ultimate bill. If at some future time, America should become isolated as a result of weak policies, while it allowed Moscow and Peiping to grow stronger, it is a question, indeed, whether we could find the allies to join with us to meet the challenge. They would be looking elsewhere.

ANY ACTION ON THE LATEST APPLICATION?

Dowling, in the N. Y. Herald-Tribune

The imprisonment of American soldiers is a logical development of the fitful course which American policy has pursued on China ever since the ending of World War II. Nor will this be the end unless and until, we finally decide to adopt a policy more in keeping with our history and traditions.

Is there, in fact, a policy which our government can follow and which can be made to tailor American interests? We believe there is—provided we have confidence in our judgment and do not over-rate our enemies' power and, above all, provided we do not allow ourselves to be influenced by the compromising attitudes of our allies and near allies.

There are many things that can be done short of war. First, now that we have finally signed a mutual security pact with the Nationalist Chinese government, we can give them the ships with which to conduct a more effective blockade against the Chinese mainland. Second, we must revoke our liberalization of the restrictions on international trade with Red China. Third, we can insist that the 16 associated nations in the Korean War demand the immediate release of our soldiers who, after all, fought under the flag of the United Nations. Fourth, we should insist that if the Southeast Asia nations, including India, are to receive economic assistance from the United States, they must give assurance that they will support us against the Red Chinese.

By taking such a strong stand, based on the essential justice of our position, we should be able to convince the free world that the day for equivocation on the China business has passed and it must firmly range itself on our side. If it sees that the United States has reached an irrevocable decision on which it intends to act, its own hesitations will cease. Even the European Chancellories would stop their shopkeepers' tactics, and support us as they should have done long ago. To act firmly is not to act recklessly. Particularly, in the case of the Peiping government, it can well be that a strong, well-planned policy on our part can make them draw back before too late.

Where Do Stocks Stand Today?

A broad perspective of the Stock Market after sixteen months of almost uninterrupted advance — Points of strength and weakness—What is the best general policy for investors under prospective conditions? Some specific suggestions — How 200 active stocks are rated according to earnings and dividend outlook for coming year.

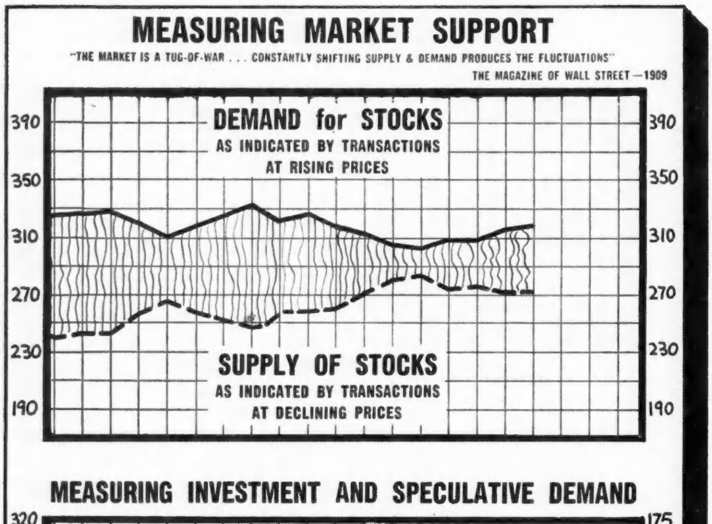
PART I **By A. T. MILLER**

The decisive factor in the stock market is confidence. Confidence makes a dollar of earnings worth more. Doubt or fear make the same dollar of earnings worth less. The feature of 1954 has been the strong upsurge in confidence, with an added lift imparted by the outcome of the Congressional elections. There is nothing so far to indicate any shift in sentiment. Therefore, the upward trend in stock prices has yet to be checked by more than brief pauses of moderate technical reactions. Instead of having any significant "scare" effect, the latter have attracted buyers. That has been the pattern for a long time. It was the pattern over the last fortnight: featured by (1) additional rise to new average highs by the industrial and rail lists; (2) then by minor recession for several days; and (3) resumption of the rise before the weekend, continuing up to this writing.

Trying to look at this market in broad perspective: Where do we stand? Are we getting "out on the limb?" What's ahead? More advance? A big "bust"? Should one buy, hold or sell stocks? We will try to give some answers in the course of this discussion.

The Present Bull Market

This is classed, in technical terminology and the record books, as a major bull market which began in September, 1953, following termination of a minor bear market during the first eight and a half months or so of 1953. Up to this writing the net rise for the industrial ilst is about 51% in roughly 15 months time. Despite wide divergencies among individual stocks, average industrial stock prices (not only the better-grade issues) are at higher levels than were ever seen before, allowing for post-1929 stock splits and stock dividends.

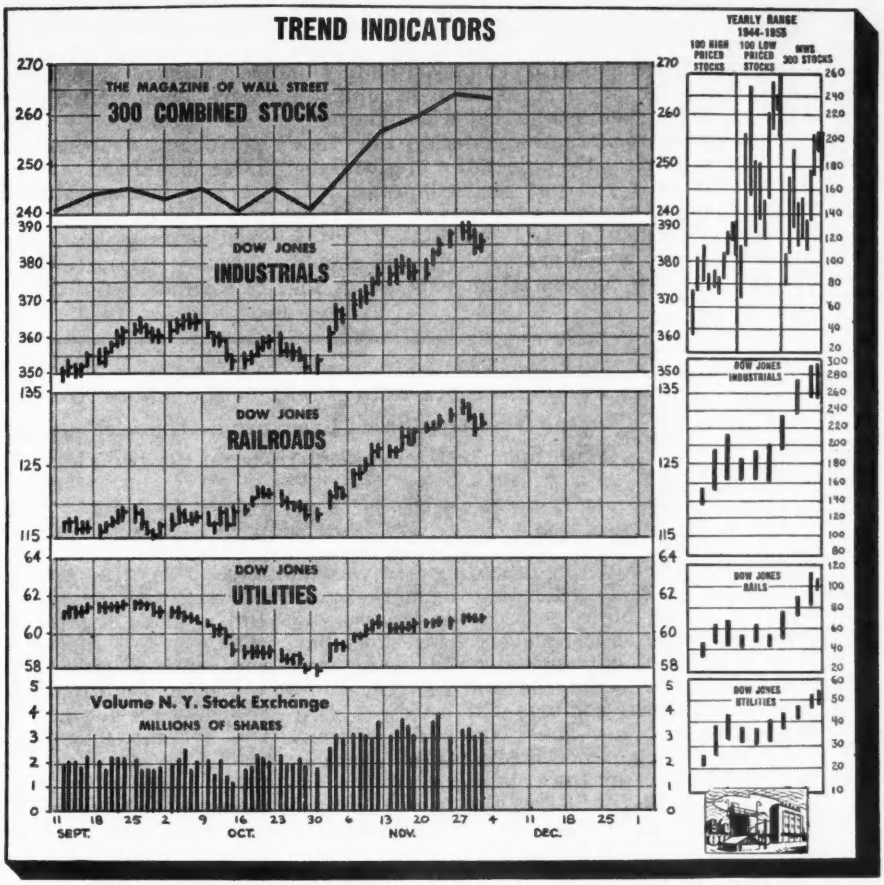


The present bull market is only part of the story. The fact is that for over 12 years, or since the end of the 1939-1942 bear market—born of war, (and fear of war) taxes and controls—there has been more "percentage" in buying or holding good-grade stocks than in selling. Figuring the odds against guessing either tops or bottoms, it is demonstrable that at no time over this long span could a policy of "sell everything" been justified—unless "everything" consisted of speculative issues, with a considerable "junk" content, which could have been dumped to great advantage in early 1946. Many of these are now again being avidly bought at the highest prices since 1946, some even at record prices.

Including the present incompleted ones, there have been three major bull markets and one minor one since early 1942, and three minor bear markets. But in ground covered, the "ups" have greatly exceeded the "downs", tending to make for cumulative net gain. Thus, at least as regards historical price range, the present bull market started from a comparatively high, rather than

a depressed, level.

The Dow industrial average, which is used for convenience rather than statistical accuracy solely, will suffice to illustrate the point. Its 1942-1946 rise was roughly 128%; the 1946-1947 fall 23%; the 1947-1948 rise 18%; the 1948-1949 decline 16%; the 1949-1953 advance 80%; the January-September, 1953, decline 13%; the subsequent rise to date about 51%. The upswings cited foot up to 277%, which might be materially more before this bull market ends; the declines to only 52%.



There are few real bargain-counter stocks left. The question now is not which stocks are cheap, but which issues are the least dear. Investment and speculative funds are pressing a selective search for "relatively attractive" stocks—and that increasingly means just stocks which have gone up less than other stocks. With very few exceptions, stock groups which were depressed or semi-depressed not so long ago have now had substantial to large recoveries.

However, do not jump to the conclusion from what has been said that the market is now importantly vulnerable and likely to "fall out of bed" any time soon. Much of the whole period since the end of the war has been on of under-valuation of earnings and dividends, because of fear of post-war recession or lack of confidence in longer-term economic-political prospects. Thus, the present bull market began with total dividends at a record level—which has since been progressively bettered—but with representative industrial stocks on about a 6.25% yield basis. We have noted that the industrial list generally is higher than ever before, which means higher than in 1929. But the dollar is worth a great deal less than in 1929. Earnings and dividends are far higher than in 1929.

In 1929, the D-J industrial average reached a level nearly 20 times earnings, yielding about 2% dividend return. That was less than half high-grade bond yield available at the time. Brokers loans reached $8.55 billion at their 1929 peak, equal to 9.8% of total value of listed shares.

Points Of Strength

Brokers loans now (latest figure) are about 1.6 billion, the ratio to stock values a shade over 1%. The Dow average is priced at about 13.5 times estimated 1954 earnings of about $28 a share applicable to it, yielding around 4.5% on about a $17-dollar dividend basis. This yield exceeds high-grade bond yield by about 57%. Stocks are more strongly held than in the past, with some types of institutional funds buying or holding more or less for keeps; and with many individual investors deterred from profit taking by the 25% capital gains tax. There is fodder for maintaining, if not further boosting, confidence in the rise in business activity, suggesting at least moderately higher earnings and dividends in 1955.

Bull markets which "take hold" in a big way, as this one has done, usually go to extremes. This one, on the evidence heretofore cited, has not yet reached an extreme. It might do so within the year ahead or even within a period of months. In the meanwhile, the "odds" would seem to be for more advance, subject to corrective reactions at any time and to high selectivity; but with no "bust" to be feared at the present time, assuming continuation of world peace (or what passes for that term today).

You can go wrong buying stocks. You can also go wrong taking profits on good stocks. If you are typical, you have certainly made past mistakes of both kinds. There is no fool-proof system; but the following points are worth emphasis: (1) There have been only rare instances in our lifetime when a "sell-everything" policy would have been justified, with 1929 the outstanding case. Despite the exceptions that stand out on hindsight, the margin for error in timing is so great that far more money has been made by long-pull retention of good stocks than by in-and-out moves. (2) But where unusually large profits exist it would certainly be practical in many cases, and add to one's peace of mind, to sell enough

to write off at least some of the original cost—leaving you in a risk-free position. (3) In this kind of a profit-taking write-down or write-off of original costs, net profit taken should be employed mainly in high-grade bonds or preferred stocks, pending an eventual cycle of market decline that will make common-stock prices more attractive generally than they are now. You will defeat the object of a profit-taking write-off operation if you put realized profits into speculative common stocks at this stage. (4) It is foolish to let reluctance to pay the capital gains tax freeze you in stocks which are too high and should be sold. It should be considered an expense of investment, like the corporate tax is a business expense. (5) If you want to have a reasonably good chance for satisfactory investment results, a primary requirement is to think less about "the market" and more about individual stocks. There are still not a few of these. (6) If you hold stocks that have not performed well in the bull market and which have little likelihood of so doing within a reasonable period, you can make substitutions, provided you "up-grade" your purchases and do not try to make up for past losses by buying other, and, possibly, even more speculative issues. We now continue with an analysis of the position of the most active stocks.

Position-Outlook-Ratings for 200 of the Most Active Stocks on the New York Stock Exchange in This Year's Market — With Specific Recommendations on the Individual Issues.

PART II By WARD GATES

We have seen in the preceding analysis of the stock market by A. T. Miller that the market now stands at historically high levels. In the process, the market position of practically every listed stock has changed substantially, in many cases radically. After such a long climb it is only natural that investors should re-examine their holdings with a view toward determining whether they would be justified in making changes in their portfolio holdings. Many issues, obviously, have gone far towards discounting their prospects, present and well into the future; others undoubtedly have by no means exhausted their potentials; and, still others which, for fundamental reasons, have failed to participate in the long, upward march of stocks, probably will continue to be a cause of disappointment.

In any case, whether a stock falls into one of these categories or another, it would be a good plan, especially after a 16-month advance in the market, to re-examine holdings in order to determine whether they are still arranged to the best advantage. The wisdom of such an overhauling is further indicated as we actively enter the period of preparation for income tax returns. As the remaining weeks of the year can afford a final opportunity to make necessary adjustments in portfolio holdings in order to obtain the greatest benefits from permissible tax savings, it is apparent that it is even more incumbent on the careful investor to make a fresh appraisal of his security position.

In order to more effectively assist our subscribers in an analysis of their holdings, with a view to possible action on specific stocks, we have devoted this entire section to comments and ratings on each of 200 stocks, listed on the New York Stock Exchange, which have been the most active this year. These stocks have been grouped according to their volume of transactions for the first eleven months of 1954. Half will be found in the table accompanying this article in this issue, and the remaining 100 will be covered in the next issue. We believe these tables will be of the greatest value to subscribers as they probably include at least several stocks included in the average investment portfolio and, therefore, should be of general investment interest.

While the comments on the individual stocks are self-explanatory, a special explanation of the "ratings" is demanded. This will be found in the accompanying box.

We believe the comments and ratings will be of material assistance to investors who recognize the constant need for strengthening their holdings, particularly at this juncture of the market. Furthermore, it may offer useful suggestions to investors who are undecided as to whether to accept profits — or losses — as the case may be.

In the following, we present a brief statement as to the position, outlook and "rating" for each of the 100 stocks included in the accompanying table arranged in order of market activity, with the remaining 100 stocks to appear next issue.

U. S. Steel: Steady modernization of plant and pronounced improvement in operating efficiency places company in strong position to take advantage of rise in steel business. Dividend should be raised.
Rating—B[1]

Martin (Glenn L.) Co.: After poor post-war record, company now completely rehabilitated with finances in much stronger position. While extraordinarily high earnings may not be repeated next year, cash dividend can easily be raised. *Rating—C*[3]

Explanation of Ratings

A—Investment (tested quality)	B—Semi-investment ("businessman's risk" but of improving quality)
C—Speculative (variable earnings)	D—Highly Speculative (prospects uncertain)

1—Meets requirements for long-range appreciation objectives: present holdings can be maintained: new purchases, on sliding scale warranted.

2—Also suitable for long-term retention but new purchases temporarily may be deferred, owing to extensive previous rise in many instances, or, in other cases, to uncertainty about near-term earnings outlook, though fundamental position and outlook for company remains satisfactory.

3—Partial acceptance of profits, to mark down original cost advisable, particularly for individuals mainly interested in short-or-intermediate-term appreciation.

4—Indefinite outlook and possible slowness in improvement of company's prospects would indicate suitability of replacement by other issues. This can be done through selections from A[1]; B[1]; or C[1].

N. Y. Central: Improved operating results expected from new management's growing effectiveness and long-term outlook favors possibility of solving some of road's deep-rooted problems. Dividends may be held to present minimum pending further recovery.

Rating—C[1]

Chrysler: Herculean efforts made by management to improve sales ratio to total industry. While not definite, some measure of success may be expected but to what extent will not be known until turn of year.

Rating—C[2]

Int. Tel. & Tel.: Internal reorganization of company in post-war years bearing fruit with steady increase in earnings. Substantial transference of activities from communications to electronics manufacture of importance for future. Dividend could be raised moderately.

Rating—C[1]

Radio Corp.: Outstanding growth features command high premium for stock. Suited mainly for inclusion in long-term portfolios. One of the leaders in electronic development. With upbuilding of company program demanding heavy financial outlays, dividend payments will remain conservative.

Rating—B[2]

General Motors: Fully demonstrated earning power even in period of unsettlement in auto industry places this company in commanding position. Higher earnings expected next year, with higher dividend or eventual split-up.

Rating—A[2]

North American Aviation: One of most aggressive of the aircraft manufacturers with respect to development of new types. Heavily engaged as well in missile production and is active in atomic energy projects. Strong earnings position with betterment in sight for next year. Dividend can be maintained at new higher rate.

Rating—C[3]

General Electric: High premium commanded for stock of this outstanding growth company. Long-term future indicates further substantial earnings increase, but dividend may be held to present rate for some time.

Rating—A[2]

Lockheed Aircraft: One of the stronger aircraft manufacturers, with well diversified lines in civilian as well as military planes. Large backlog insures good 1954 earnings but heavy outlays may be needed eventually to provide for commercial jet transport. Present cash dividends can be maintained.

Rating—C[3]

1954 Record of Most Active Stocks: 1st Section

(Listed in order of volume transactions, Jan. 1 to Oct. 31)

	1954 Estimated Net Per Share	1954 Indicated Div. Per Share	Price Range 1954	Recent Price	Div. Yield
U. S. Steel	$ 6.25	$ 3.00	68- 39	67	4.4%
Martin (Glenn L.) Co.	8.25	1.00[4]	33- 16	27	3.7
New York Central	1.25	.50	26- 18	24	2.0
Chrysler	2.00	4.50	70- 56	62	7.2
Int. Tel. & Tel.	3.25	1.00	24- 13	24	4.1
Radio Corp. of America	2.50	1.20	38- 22	38	3.1
General Motors	8.25	5.00	95- 58	90	5.5
North American Aviation	6.00	2.75	49- 20	44	6.2
General Electric	2.25	1.47	48- 37	45	3.2
Lockheed Aircraft	7.50	2.85[4]	48- 26	44	6.4
Fairchild Engine & Airplane	1.70	.80	18- 9	13	6.1
R.K.O. Pictures	n.a.	.....	7- 3	6	.....
Pan American World Airways	2.25	.80	16- 9	16	5.0
Standard Oil of N. J.	9.75	4.55	101- 71	107	4.2
American Airlines	1.50	.60	19- 11	19	3.1
Columbia Gas System	1.00	.90	15- 12	15	6.0
Curtiss-Wright	2.00	.80	13- 7	13	6.1
American Radiator & S. S.	2.00	1.28	24- 13	22	5.8
Pennsylvania R.R.	1.35	.75	19- 15	19	3.9
Pepsi-Cola	.95	.50	16- 13	14	3.5
Southern Pacific Co.	5.00	3.00	51- 36	50	6.0
Socony-Vacuum	4.50	2.25	49- 35	46	4.8
Amer. Tel. & Tel.	11.25	9.00	175-156	173	5.2
Westinghouse Electric	5.25	2.50	76- 50	75	3.3
Avco Mfg.	.55	.10	6- 4	5	2.0
Montgomery Ward & Co.	5.00	3.50	80- 56	76	4.6
Boeing Airplane	10.50	3.00	69- 38	61	4.9
Loew's Inc.	1.25	.90	19- 13	18	5.0
Bethlehem Steel	11.00	5.75	95- 50	94	6.1
Baltimore & Ohio R.R.	5.75[1]	1.00	32- 18	32	3.1
St. Regis Paper	3.00	1.57½	35- 20	34	4.6
Reynolds (R. J.) Tob. Co. "B"	4.00	2.40	40- 33	38	6.3
General Dynamics	9.00	3.25	75- 36	68	5.7
Dow Chemical	1.42[2]	1.00	44- 33	42	2.3
Raytheon Mfg.	1.39[2]	.....[5]	17- 8	17	.....
American & Foreign Power	2.60	.75	12- 8	11	6.8
Canadian Pacific	1.90	1.50	29- 21	29	5.1
Anaconda Copper	3.25	3.00	44- 29	43	6.9
Republic Steel	7.00	4.87½	69- 47	69	7.0
Republic Aviation	8.00	2.00[4]	43- 22	34	5.8
Grumman Aircraft	4.50	2.00	39- 22	37	5.4
Sunray Oil	2.25	1.20	20- 16	21	5.7
International Harvester	2.00	2.00	37- 27	36	5.5
Tide Water Assoc. Oil	2.70	[6] .25[4]	27- 18	27	.....
Jones & Laughlin	3.50	2.00	31- 19	31	6.4
United Fruit	4.60	3.00	55- 45	54	5.5
Celanese Corp.	.25	.62	23- 16	22	2.7
National Distillers	1.45	1.00	21- 16	21	4.7
Armour & Co.	n.a.	.....	12- 8	11	.....
Twentieth Century-Fox Films	3.00	1.50	29- 18	29	5.1

n.a.—Not available.
[1]—Before funds.
[2]—Actual; fiscal year May 31.
[3]—Actual; fiscal year Aug. 31.
[4]—Plus stock.
[5]—Payable in stock.
[6]—No further div. action.

(Continued on page 307)

Fairchild Engine & Airplane: While this company is proceeding energetically to develop new types and is active in guided missiles, jet engine parts and atomic energy equipment, decline in backlog indicates possibility of uncertain earnings trend next year. Present dividend probably can be maintained, however.

Rating—C^{4}

R.K.O. Pictures: Bulk of stock sold to Howard Hughes at $6 a share but 31.9% still retained by Atlas Corp. and associates. A highly speculative situation.

Rating—D^{4}

Pan Amer. World Airways: Substantial growth of earnings in recent years an impressive testimonial to company's dominance in world air transport. Until permanent mail rates are established, however, long-term earning position will not be fully known. Nevertheless, fine management should be able to make continued progress despite mail rate uncertainty. Dividends at 80-cent rate seem well within power of company to pay.

Rating—C^{1}

Standard Oil (N. J.): Powerful position in industry gives the strongest support to long-term prospects. One of the premium oil investments but at current high levels is suited mainly for investors employing "dollar-averaging" methods. Higher dividends can be paid and another split up eventually seems a reasonable expectation.

Rating—A^{2}

American Airlines: Next year, company should be able to reduce depreciation with effects shown in higher earnings. Best situated domestic carrier with respect to territory served. Strike this year has affected earnings and dividends probably will be kept to present levels. Good long-range prospects.

Rating—C^{1}

Columbia Gas System: Company's obvious potentials in natural gas somewhat complicated by rate uncertainties. However, success of financing places Columbia in position to develop its resources more rapidly. 1954's earnings will show increase over 1953. Dividend can be lifted. Suitable for long-term holding.

Rating—B^{1}

Curtiss-Wright: Since 1950, company has been overcoming previous handicaps and is now well established in manufacture of jet and the new turbo prop engines. Increase in earnings next year indicated and recently raised dividends can be maintained. The "A" stock is suitable for investors requiring above-average income.

Rating (common)—C^{2}

Amer. Radiator & S.S.: Diversification of products, particularly central home air-conditioning has widened earnings base. Further increases in earnings expected next year on activity in building industry.

Rating—C^{3}

Penn. R.R.: Fundamental problems facing this road for years have not been solved though management is making every effort to streamline operations and modernize operating techniques and equipment. Moderate gain in earnings in recent months, despite earlier losses, should provide earnings of around $1.35 a share this year. Present dividend can be maintained.

Rating—C^{4}

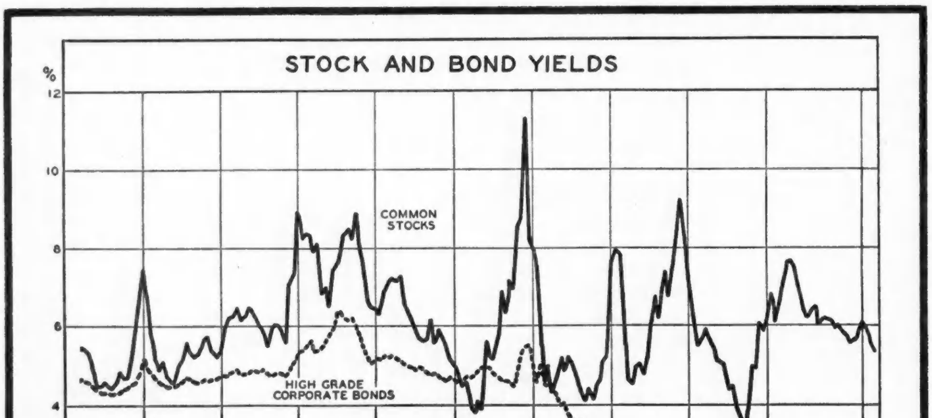
Pepsi-Cola: Moderate improvement in earnings for this soft-drink concern compares favorably with some others in the field. Energetic efforts to improve merchandising and manufacturing methods provide basis for expectation of further earnings improvement next year. Dividend reasonably secure.

Rating—C^{1}

Southern Pacific: Operating in active growth territory, this road seems in an assured position with outlook for gradual gain in earnings. Prospects enhanced by potentials in extensive land holdings, with well defined outlook for discoveries in oil and iron. Dividend well covered.

Rating—B^{1}

Socony-Vacuum: Steady accretion of properties and successful development in addition to expansion of refinery operations afford this important company an excellent long-range base for widened earning power. Temporary cutback in allowables and slightly lower refining margins have resulted in slight dip in 1954 earnings. Moderate improvement expected next year. Dividend can be increased. *Rating—A*^{1}



Avco Mfg.: Modest increase in earnings in 1954 but adequate profit margin difficult to obtain owing to heavy competition. New defense orders off but better revenues expected from new appliances. Little prospect that dividends on common can be restored in near future.

Rating—D^4

Montgomery Ward: Interest in this situation has been heightened by the stockholders battle which will take more vivid form in several months. In the meantime, the company has had a moderate decline in earnings this year and there seems to be little indication of prospects for a substantial rise next year. The raised dividend rate seems secure, however.

Rating—B^3

Boeing Airplane: Strong position in military aircraft and clear outlook for sustained production to meet defense needs probably well into 1956 affords definitely good outlook for earnings next year. A higher dividend rate, based on substantial earnings outlook, is indicated in 1955.

Rating—$C^{2\text{-}3}$

Loews' Inc.: Partly as a result of increased attendance and better pictures, and higher revenue from foreign operations, company's earnings have shown moderate improvement and the outlook is that the worst period is behind it. Improved control over operating costs an encouraging factor. While dividend margin is not great, payments can probably be continued.

Rating—C^1

Bethlehem Steel: This company covered in article on stock splits. Please see pages 322-324.

Rating—B^1

Balt. & Ohio: Due to consistent debt reduction and greater operating efficiency, in addition, to better prospects for coal hauling, company faces an improvement in earnings. A higher dividend rate could be supported without much difficulty.

Rating—C^1

St. Regis Paper: With new production facilities now available and in process of being added, company is steadily forging ahead. Added to its sound position in paper industry, its oil holdings are also of considerable potential importance. Current dividends can be maintained.

Rating—B^1

Reynolds Tobacco (B): Although sales have declined mildly, owing to the "cancer" scare, which has affected all cigarette manufacturers, earnings have increased, this being made possible by lower taxes, especially the end of the excess profits tax. The company should be able to maintain the present rate of earnings, affording good coverage (*Please turn to page* 342)

1954 Record of Most Active Stocks: 1st Section (Cont.)

(Listed in order of volume transactions, Jan. 1 to Oct. 31)

	1954 Estimated Net Per Share	1954 Indicated Div. Per Share	Price Range 1954	Recent Price	Div. Yield
Sinclair	$ 5.75	$ 2.60	47- 32	46	5.6%
Armco Steel	7.25	3.00	63- 33	63	4.7
Youngstown Sheet & Tube	5.50	3.75	65- 38	63	5.9
American Tobacco	6.00	4.40	65- 55	59	7.4
Greyhound Corp.	1.15	1.00	14- 11	13	7.6
Burlington Mills	1.10	.60	15- 10	15	4.0
Amer. Broadcast. Para. Thea.	1.15	1.00	22- 14	21	4.7
American Cyanamid	3.00	2.00	53- 43	49	4.0
Gulf Oil	6.75	2.00[4]	62- 45	60	3.3
Northern Pacific	5.00	3.00	64- 53	66	4.5
Mack Trucks	.50	......[5]	23- 12	18	......
Remington Rand	1.90	1.00	36- 14	34	2.9
U. S. Rubber	5.00	2.00	41- 29	41	4.8
Southern Co.	1.30	.80	19- 15	17	4.7
Union Oil of Calif.	5.25	2.20	55- 38	55	4.0
RKO Theatres	.70	......	9- 4	9	......
Alleghany Corp.	n.a.	......	6- 3	6	......
Merck & Co.	1.10	.80	22- 17	18	4.4
American Viscose	2.10	2.00	40- 30	40	5.0
N. Y. Shipbuilding	3.00	2.00	25- 14	21	4.7
Climax Molybdenum	5.50	3.00	58- 37	58	5.1
Baldwin-Lima-Hamilton	.80	.80	10- 8	10	8.0
Woolworth (F. W.) Co.	3.15	2.50	51- 40	51	4.9
Schenley Industries	.87	1.50	22- 17	21	7.1
Continental Motors	1.25	.80	11- 7	10	8.0
United Aircraft	7.50	3.50[4]	68- 45	67	5.2
Southern Rwy.	8.00	3.50	68- 39	68	5.1
Bullard Co.	8.00	4.00[4]	51- 25	44	9.0
Oliver Corp.	1.15	.60	14- 9	14	4.2
United Corp.	.30	.10	6- 4	6	6.0
Transamerica Corp.	3.00	1.30	38- 25	38	3.4
Standard Oil of Calif.	7.00	3.00[4]	79- 52	72	4.1
Chicago Corp.	2.25	.80	27- 18	21	3.8
Atlantic Refining	4.25	2.00	36- 27	33	6.0
Royal Dutch Petroleum	n.a.	2.10[4]	71- 55	69	3.0
Tri-Continental Corp.	.95	.94	24- 15	24	3.9
Chicago, Milw., St. P. & Pac.	.50[1]	1.00	14- 10	14	7.1
Affiliated Gas Equipment	1.25	.50	14- 7	13	3.8
Western Union	6.50	3.00	72- 35	72	4.1
Philip Morris & Co.	4.00	3.00	44- 34	36	8.8
Aluminium, Ltd.	2.25	2.00	74- 47	70	2.8
Northrop Aircraft	5.25	1.30[4]	54- 16	53	2.4
United Airlines	3.40	1.50	35- 21	35	4.2
Cities Service	11.00	4.00	114- 78	116	3.4
Allis-Chalmers	7.00	4.00	74- 45	74	5.4
Eastern Air Lines	2.85	.50	38- 21	36	1.4
Public Serv. Elec. & Gas	1.80	1.60	29- 25	28	5.7
Kennecott Copper	7.35	6.00	95- 64	95	6.3
L. I. Lighting	1.15	1.00	24- 17	21	4.9
Union Carbide & Carbon	3.00	2.50	89- 70	85	2.9

n.a.—Not available.
1—Before funds.
2—Actual; fiscal year May 31.
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4—Plus stock.
5—Payable in stock.
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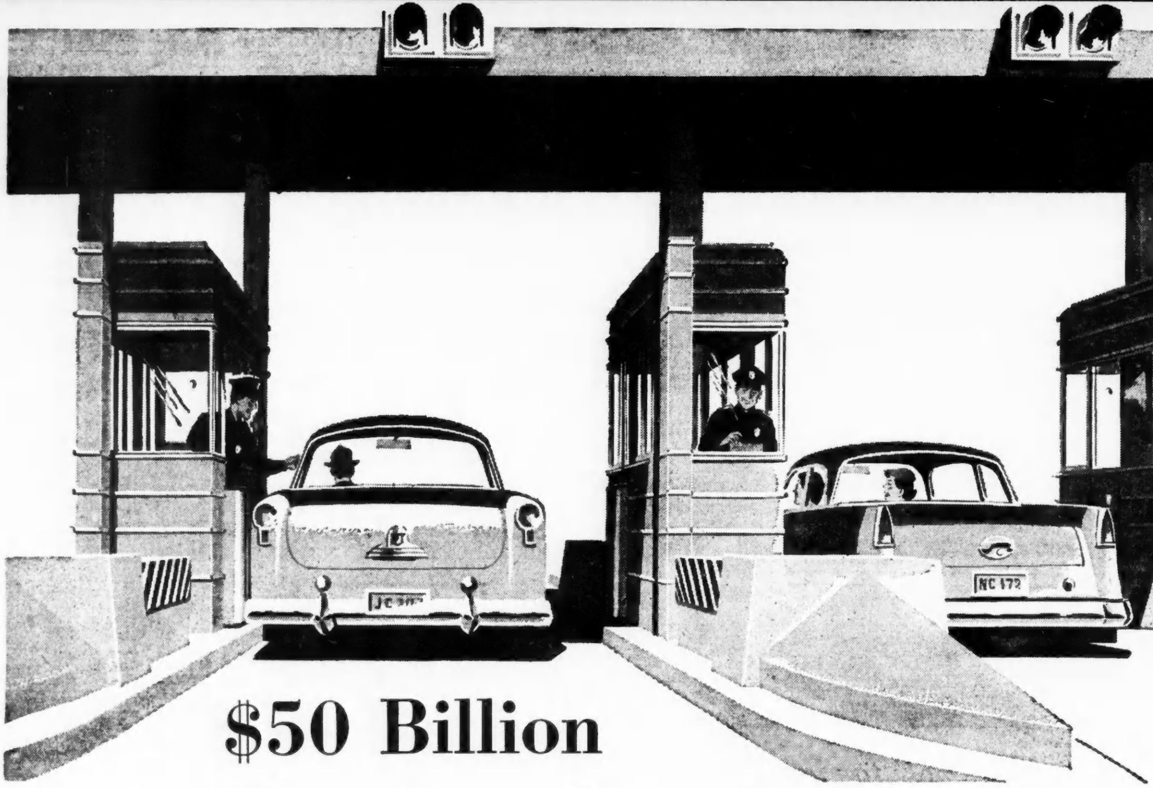


$50 Billion in New Spending for Roads

What it Will Mean in 1955-1956...1960

By W. L. RADFORD

An apt seasonal greeting would be a wish that your business in 1955 be as good as the prospects for the road-building industry. Indeed, for the highway builders, it looks like a happy and prosperous decade ahead.

The industry is top-flight news these days, at times dominating the business columns. Thus, on a single day you may read that a nation-wide underwriting group is expected to offer some $214 million of Oklahoma Turnpike Authority revenue bonds. The adjoining column relates that Illinois has approved plans to build roads costing about $390 million. Another day the news may be dominated by plans for a two-year $14 million expansion program for Lone Star Cement Corp. Another time it may be a story dealing with Department of Commerce plans to speed apportionment of almost $1 billion of Federal funds to the states for highway development. Then, there is almost invariably some choice tidbit for stockholders, such as a 2-for-1 split of General Portland Cement or cheering dividend news.

And this is the healthy industry that is about to be the beneficiary of a $50 billion highway program, proposed by President Eisenhower (many experts believe it will have to be raised substantially)—on top of the present multi-billion program, for which highway officials are searching for new methods of financing. The only questions about attaining this sky-high goal over the next decade would seem to be whether contractors are capable of building that fast, finding the available equipment and getting the necessary supervisory personnel. But in any case, many branches of heavy industry are going to feel the impact in 1955, 1956 and the immediate years beyond, to 1960 and 1965.

On the basis of the evidence available, the multi-billion 10-year goal should be reached. For one thing, there are the low prices that contractors are now bidding for work and the increasing number of bidders per project. For example, the sales division of Pettibone Mulliken Corp., maker of heavy construction equipment for the industry, says competition is severe and its capacity is far from taxed. For contractors, too, reserve capacity is a problem and creates the present highly competitive conditions. But it also constitutes an exceptionally favorable climate for launching the mammoth program and provides a sound base for further expansion.

Before passing on to the expansion plans of this industry, let us pause to examine the growth of competition in the business. In the years 1947-48 the number of bidders on a highway project averaged out to four. By 1949 it was above six and remained at six in 1950. The figure declined to 4.5 in 1951 and rose thereafter, to five in 1952, 6.6 in 1953 and was at seven in the first half of this year.

Another mark of the rugged competition is the lower bid for a job. Low bids on Federal-aid highways throughout the nation averaged from 12.2% in February to 9.4% in July under engineering estimates. In August they were under by 10.2%. But the unit prices of these bids are running below the contractor's own prices, which were at their peak in late 1952 and early 1953. These prices are down 10% on a national average even though basic costs of labor and materials are up 9%. This is a wide and spreading gap.

How fast could this industry mobilize to expand its present capacity? A few could handle right now a 100% increase in business with the supervisory personnel and machinery on hand. Other contractors figure they could expand by 60% to 400% in two years. In five years contractors could—if they were absolutely certain a long-range program would be continued—increase capacity to 400% of present setup.

The free enterprise system being what it is, it is a safe assumption that not all of the increment will come from companies now in the business. Firms now engaged in other fields are sure to be attracted to a stabilized and continuing program of the magnitude outlined by the White House. In the postwar period, we had numerous examples of this trend in the automotive and air conditioning industries, even though newcomers attracted by the Golconda were not always successful.

Many Manufacturers Tied to Road-Building Prospects

Promise of a long-term period of prosperity, however, will provide an irresistible lure to many companies as they eye a growing demand for loaders, excavators, bulldozers, cranes, hydraulic equipment, diesel engines, pavers, mixing tanks, electric pumps, draglines, stone-grabbers, buckets and a hundred other tools essential to construction of highways.

The cement companies, naturally, are in the foremost position to receive great benefits from the road-building program. If the program should reach the heights many expect for it during the next decade, it is a question whether existing capacity could suffice. This prospect is highlighted by the activities in many states.

For example, New Jersey, with the best road system in the nation, finished a turnpike in 1951 and completed a parkway this year, both roads crossing the state. In neighboring New York, the State Thruway, already the "daddy" of all roadways, will span the Empire State when it is completed. In adjoining New England, the six states of that region are spending more than a billion dollars on a network of highways across Yankeeland. Pennsylvania is readying a 110-mile spur from Philadelphia to Scranton. On Dec. 1, Ohio opened the Eastgate section of its turnpike to traffic, a 22-mile stretch of a 241-mile toll road, linking the Pennsylvania line with the Niles-Youngstown interchange.

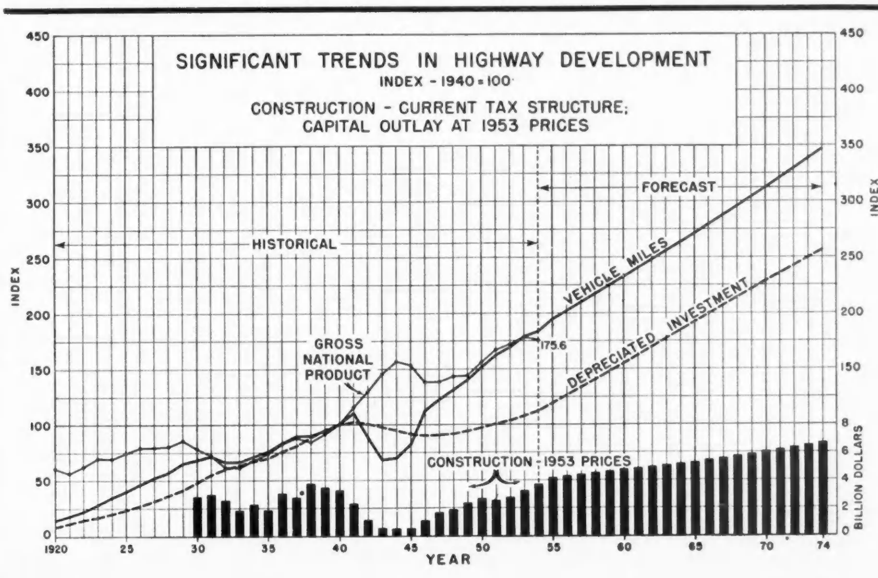
Kansas is just now plunging into the turnpike derby with its first toll road, a 236-mile stretch from Kansas City southwest to the Oklahoma border. Also building are the remaining 51 miles of West Virginia's first turnpike, stretching south from Charleston. Mammoth projects for Oklahoma and Illinois have been cited in the foregoing. Others could be cited, but it would be like calling a roll of the states.

But even with all this activity, the business remains ruggedly competitive with the result that the taxpayer is getting more highway for his dollar this year than in 1953. The savings are going into more highways. This year's total road tab is expected to hit $3.5 billion, a rise of about 10% from a year ago. In Wisconsin, costs of two principal items, gravel or crushed stone and Portland cement, dropped 30%. Other items that have become less expensive around the country include limestone base aggregate, Class A concrete and reinforcing steel.

Lower prices for materials prevail in nearly all parts of the country. And while this situation, plus keen competition, are in large measure responsible for less costly highways, there is yet another factor that has contributed importantly. This is the greater efficiency and better equipment brought into play. Progress on this front will assume greater importance as the industry is called on to assume the vast burden envisaged by President Eisenhower.

Deficit in Federal Highways

An insight to the job ahead may be gained from an estimate of the American Association of State Highway Officials that there is a $35 billion de-



This chart shows that our highway facilities are far behind traffic demand, and that depreciation of the highway system is too rapid for safety. New means must be found to finance the coming highway program which will demand an expenditure of at least $50-$70 billion from 1955 to 1965, with probably $50 billion required for the years 1955-60. When this program gets rolling the impact on the economy will be exceptional.

ficiency in the Federal-aid highway network alone. This 675,000-mile web makes up 20% of total United States road mileage, but it carries 80% of the traffic.

If the staggering sum of anywhere from $70 to $90 billion is to be spent on highways, it should, in the interests of efficiency and economy, be placed on a 10-year basis and carried out on an orderly schedule in each year at a roughly predetermined rate. Otherwise it is difficult to see how contractors and equipment-makers could stay at peak efficiency. A helter-skelter, stop-and-go program would entail tearing down a smooth-working organization one year, only to rebuild and tune up for the next season. The states also should be encouraged to maintain engineering staffs qualified and large enough to administer an expanding program. Finally, to keep this vast project from degenerating into the type of political grab bag that marked the relief works of the 1930's, the principle should be continued that highway construction be handled by contract award to the lowest bidder.

All that remains then is for President Eisenhower to submit his bold program of highway building to the Congress in January. Two conferences, held in November, probably provided whatever leverage was needed to get Congress to approve the project.

At one of these gatherings the governors of seven states, comprising a special highway committee of the Governors' Conference, endorsed the Eisenhower plan without a quibble. Previously, they had agreed to the plan in principle, but had disagreed with the President in financing details. Second, the American Association of State Highway Officials came out for the plan. At an earlier period of discussion on the plan, many governors and highway officials had indicated they would prefer less Federal financing of roads. They wanted Washington to stop collecting 2 cents tax on a gallon of gasoline, let the states have that money and, in turn, do the highway building. But now they also are in line without quibble.

President's Program

The Eisenhower plan breaks down into two roughly equal halves. One-half would entail rebuilding and improving the 40,000-mile interstate highway system to make it capable of handling estimated 1974 traffic. In the past, Washington has shared the cost of interstate highway construction with the states. Under the Eisenhower proposal, Washington would foot the entire rebuilding and improvement bill on the trunkline network, in addition to continuing its regular grants to the states for upkeep and improvement of some 630,000 miles of secondary roads.

The second half of the program involves work by the states on local and state highways—roads not in the trunkline or secondary Federal-aid networks. The states would put up most of the money here. The President wants both segments of his over-all program to move forward together.

While we have been dealing up to now with a figure of $70-$90 billion for roads, to be spent over the next 10 years, even that astronomical figure may be surpassed if General Lucius D. Clay, chairman of the President's special committee on highways, is heeded. In November, he outlined a plan to enlarge the trunkline construction phase of the master plan, an enlargement entailing link highways connecting the trunkline network with principal metropolitan areas. General Clay estimated the main improvement job at about $23 billion, the links at about $3 billion. This added starter of $26 billion would come from Washington.

The question inevitably arises as to where the money will come from, since the Eisenhower administration is committed to balancing the budget as rapidly as possible. The committee headed by General Clay leans toward the creation of a Federal agency that would be empowered to sell 25-year bonds to private investors. The agency would pay off the bonds from funds accumulated through annual appropriations by Congress. In appropriating these funds, Congress would draw on revenues from gasoline and oil taxes. The Clay group has no fixed ideas on financing the other half of the Eisenhower plan, which deals with accelerated work on streets and roads outside the present Federal-aid system. Probably the states will have to do most of the money-raising for this part of the plan, though it's possible the new Federal agency will help by buying some of their bonds or by guaranteeing the liens.

Tolls, of course, play a major part in the mammoth highway program. General Clay has indicated he is interested in this source of revenue. Also, there has been a reversal in recent weeks by the Commerce Department's Bureau of Public Roads. Traditionally, it has favored tax-supported free roads. Now it approves of Federal aid to toll highways as helping to solve road problems. Recently, Governor Burton Cross of Maine tied a second northward extension of his state's turnpike to a proposal for Federal aid, with the money to be repaid from toll receipts. Engineers believe most marginal ideas for turnpikes would become feasible if some form of Federal subsidy could be arranged. A threefold expansion of the toll-road program is believed possible under a plan of 50-50 Federal and state financing. Even without the certainty of Government aid, the turnpike trend has been fostered in states all the way from Florida (*Please turn to page* 353)

Leading Companies in Road Building Equipment and Materials

	1953 Earnings Per Share	1953 Div. Per Share	1954 Estimated Net Per Share	1954 Indicated Net Per Share	Price Range 1953-54	Recent Price	Div. Yield
CEMENT:							
Alpha Portland Cement	$ 4.77	$ 3.00	$ 5.75	$ 3.00	85⅞-43½	84	3.5%
General Portland Cement	5.03	3.00	6.00	3.30	94½-48¼	92	3.5
Lehigh Portland Cement	3.32	1.20	3.75	1.20	55¾-27½	55	2.2
Lone Star Cement	3.27	1.75	4.00	2.20	59 -28⅝	58	3.7
MACHINERY:							
Allis-Chalmers	6.58	4.00	7.00	4.00	74⅞-45⅛	73	5.4
Blaw-Knox	2.86	1.20[3]	2.85	1.20	27¼-17½	25	4.8
Bucyrus Erie	3.23	2.00	2.75	2.00	33⅛-22	32	6.2
Caterpillar Tractor	4.84	2.50[3]	5.40	2.00[3]	82 -44¾	79	2.5
Chicago Pneumatic Tool	5.08	1.00	4.75	2.00	39⅛-30¾	37	5.4
Gardner Denver	3.92	2.00	3.75	2.00	33¼-22¼	32	6.2
Ingersoll Rand	3.56[1]	2.33[1]	3.65[1]	2.50[1]	55 -47⅜[2]	54[2]	4.6

1—Adjusted for new stock. 2—When issued stock. 3—Plus stock.

At 75% Capacity— *What Can Steels Earn in 1955?*

By W. L. SCHROEDER

The steel industry is apparently assured of a better operating rate next year, owing to a combination of factors working for improved demand. This gain in volume to an average rate of at least 75 per cent of capacity should be sufficiently large to bring a substantial gain in earnings to virtually all steel producers.

With larger net profits, and with reduced plant investments, the steel industry is now in a position to accumulate cash rapidly. From 1946 until the end of 1953, the steel industry spent $5.6 billions on new and improved plants, thus adding 32 million tons to its ingot capacity. With the completion of that program, the steel industry has an annual capacity of nearly 125 million tons—more than enough to meet demand over the next year or two at least, barring a new national emergency. Hence, the scope of capital investment in steel has been cut sharply to well under $1 billion a year. Charges for depreciation and accelerated amortization will remain well above actual new investments over the period until 1957 or 1958.

The "cash flow" resulting from high depreciation and amortization charges, and from increased earnings is likely to result in a round of dividend increases and in some stock splits. Already, during 1954, a slightly more liberal dividend policy has been followed by several steel companies, despite the uncertainties brought by a reduced operating rate. As the operating rate rises, the brightened picture should tend to make steel boards of directors inclined to adopt a more generous dividend policy.

Unless softness unexpectedly develops in steel consuming industries, it is likely that the steel industry should operate during the first half of next year at close to 80 per cent of capacity. Even if the second half is not as good as the first half—and there is no reason why it should not be, on the basis of the present outlook for industrial output—it appears that the industry can count on an average operating rate for 1955 of at least 75 per cent, compared with an average rate of only 72 per cent this year, during which the industry has ranged from a low of 63 per cent to a high of about 80 per cent.

Important Control Over Costs

This gain in output of only 3 per cent may seem too small to have an important effect on steel industry earnings. But the industry's steady progress in winning control over costs during 1954 must be taken into account. It is likely that the fourth quarter, with an average operating rate of only a little over 75 per cent, will be far and away the best quarter financially for steel producers during 1954. Next year, it appears safe to project a rate fully as good as the fourth quarter, for the year as a whole.

Quarter by quarter this year, the steel industry was able to show the effects of cost control, plus the increased use of the modern equipment installed in recent years. For with steel operations in the range between 65 and 80 per cent of capacity, the industry was forced to operate only the most efficient units. Older, smaller and less efficient furnaces and finishing mills, requiring larger expenditures for labor in relation to tonnage produced, have been placed on a standby basis, to await the next period of near-capacity production.

The first indications of how successful the steel industry could be in controlling costs came in the second quarter reports of leading producers. United States Steel, for example, operated at only a little over 70 per cent in the second quarter, compared with 80 per cent of capacity in the first quarter, yet the net profit per share in the second quarter was $1.63, against only $1.48 in the first quarter. In the third quarter, with operations down to only 66.3 per cent of capacity, Big Steel showed a profit per share of $1.47, virtually the same amount as the profit realized on the 80 per cent rate in the first quarter. The fourth quarter rate of over 75 per cent should mean a net profit for the company of close

to $2 a share for the period.

Projecting a 75 rate for the steel industry next year, therefore, would mean a net profit of about $8 a share, as against current annual dividends of about $3. U.S. Steel's directors have followed a policy, over the years, of paying out approximately 60 per cent of earnings. Hence, an upward movement of Steel common's dividend appears to be in store for shareholders, unless the present firmer trend in business is a mere flash in the pan. There is no reason why a 75 per cent rate of production for the industry should be regarded as abnormally high, in view of the long range upward trend in steel consumption, as well as in view of the Eisenhower Administration's intention to maintain employment at levels somewhat better than the average for 1954. U.S. Steel's production rate next year should be better than that of the industry as a whole.

The key to the better outlook for steel earnings lies in these basic factors:

1. Price stability has been achieved. The industry showed in 1954 that it has learned how to avoid costly price wars during periods of reduced operations. In fact, the industry even succeeded in raising prices $3 a ton July 1, 1954, in the face of an operating rate of under 70 per cent.

2. Customers have stopped cutting their inventories. To produce the same amount of cars, refrigerators, etc. they will need at least 5 to 10 million tons more steel in 1955 than in 1954.

3. Man hours required per ton of steel output have been sharply reduced in the most modern mills. An indication of what has been accomplished in this sphere is provided by the employment figures for the Fairless Works, U.S. Steel's huge mechanized steel mill. Here, only 6,000 workers are needed to achieve full production of the two blast furnaces, the nine open hearths with capacity of 1,800,000 tons of ingots, the coke ovens, rolling mills, power plant and other facilities. Man hour requirements here, per ton of steel, appear to be at least 25 per cent lower than in older steel plants.

But Fairless is not an isolated case. Every steel plant in the country has been steadily increasing the man-hour output of blast furnaces and open hearths, by a program of steady enlargement of the size of these units. Use of oxygen in open hearths, to speed reaction time, and of pressure tops in blast furnaces, is making it possible to increase the number of heats or get a better yield from materials charged into surfaces. In the finishing plants, rolling speeds are far higher on the new equipment, owing to the use of electronic controls and other mechanical contrivances. Hence manhour requirements are being steadily curtailed. Intensive research programs are contributing to the steady march of steelmaking technology. To continue the enumeration of production factors:

4. Scrap costs are relatively low compared with prices prevailing two or three years ago. The steel industry, in making steel, uses scrap and pig iron in fairly equal proportions.

5. The termination of the excess profits tax at the end of 1953 substantially increased the earnings potential of the major steel companies, particularly since prices had previously been raised to offset the impact on earnings of the excess profits tax.

The cumulative effect of these factors is that the steel industry, on an operating rate of only 75 per cent of capacity, could conceivably show larger net profits than ever before in its history, during 1955.

In this improved outlook for earnings, however, all companies will not fare equally well. The high cost non-integrated companies like Barium Steel will still find the going hard, partly because during the period when steel was in short supply, they charged premium prices. Hence they have not built up as loyal a body of customers as the integrated companies which charged lower prices. Now that steel is in plentiful supply the non-integrated companies are often forced to grant price concessions in order to book business, and such price cuts have a destructive effect on their profits.

Variations in Outlook for Companies

Among the major steel companies, sharp recoveries in earnings may occur where their operations were depressed more than the average for the industry in 1954. For example, Pittsburgh Steel, National Steel, Sharon, and Granite City, which cut operations more sharply than the industry as a whole in the early part of 1954, are showing a better-than-industry comeback in operations and in net. The factors responsible for the slump in earnings of these companies in 1954 varied widely. Pittsburgh Steel was in a transitionary stage; formerly a large seller of ingots and semi-finished steel to non-integrated companies for conversion into finished products, Pittsburgh Steel has completed a big investment and diversification program which has made it a producer of cold rolled sheets for the auto industry. As a result, its net profits for the fourth quarter of 1954 were substantially more than the $800,300 earnings in the entire first nine months of the year. Next year, if steel output holds at present levels, Pittsburgh Steel's earnings would show a gain of at least 100 per cent compared with the 1954 profits, and should be in the neighborhood of $4 a share.

National Steel has been hit by a series of wildcat strikes at the plants of its subsidiary, Great Lakes Steel, in Detroit.

National's earnings in the fourth quarter will show the effect of a return of its Weirton and Great Lakes plants to practical capacity operations. This period is not normally an active one for buying of tinplate, in which National has a large part of its capacity. Hence, the first quarter may be even better one for National than the last quarter of 1954, particularly if auto demand remains active. For 1955, National could show $4.75 a share, assuming that its labor troubles are over.

Sharon and Granite City, both excellent profit makers in 1953, should stage a good comeback as a result of the tendency of steel users to end the inventory reduction programs which forced lower steel production in 1954. Sharon should show $3 to $4 a share, Granite City about $3.90 a share, in 1955. Inventories of appliance companies, auto parts makers and other steel consumers are now at such low levels that larger buying will be called for, merely to sustain their output of fabricated products. In some products, such as cold rolled sheets, there are indications that consumers have not only stopped reducing their steel inventories, but they would like to build them up a bit, as protection against shortages or future price rises. For there is no question but that steel prices would be raised again in 1955, if labor costs rise when the steel labor contract is reopened around September or October by the United Steel Workers.

Among the major steel producers, some will do better in 1955 than others. For example, Armco Steel and Inland Steel operated far above the industry average during 1954. Their favorable situation near good markets in the Chicago and Middletown areas accounted for a large part of this showing and enabled Armco and Inland to average over 90 per cent. Next year, these companies will not be able to show as much improvement in earnings as those companies which operated at depressed rates, and which can bring their production rate up 15 or 20 points, compared with a maximum of 10 per cent for Armco and Inland. But if the steel recovery should prove disappointing next year, Armco and Inland would outperform the industry, as they have done in 1954.

Assuming a 75% rate for the industry in 1955, Armco could earn as high as $8.50 a share and Inland about $8.30 a share.

Outlook for U.S. Steel and Bethlehem

U.S. Steel and Bethlehem are likely to make a showing in 1955 as good as that of the industry as a whole, if not better. These two companies and Colorado Fuel & Iron were adversely affected during 1954 by the sharp curtailment in buying of steel rails and equipment by the railroads. If rail traffic improves next year, as seems likely, the railroads may resume steel buying. This would add at least 5 or 6 points to the operating rates of U.S. Steel and Bethlehem, and enable them to out-perform the industry by about that margin.

U.S. Steel's earnings will be further enhanced by the improved earnings of its Universal Atlas Cement subsidiary, largest cement producer, as well as by better operations of its fabricating subsidiaries. The wide geographical distribution of its plants enables U.S. Steel to get its full share of available steel business, and its big investment and modernization program in plants and ore mining, have steadily cut its costs of production.

Bethlehem Steel, too, will be aided by special factors during 1955. Its shipbuilding division has been booking more orders, and now appears headed for a good year in 1955. This is an important contributor to Bethlehem's earnings. Bethlehem, too, has shown ability, by aggressive sales management to get business when other companies found the going hard, and should operate next year above the levels of the industry as a whole. Its program apparently calls for steady expansion of facilities, and increased penetration of the market. For 1955 Bethlehem should earn $12.50 to $13 a share.

Whether or not its proposed acquisition of Youngstown Sheet and Tube goes through, it is likely that Bethlehem Steel, over the years, will get a steadily larger share of the total steel market, owing to its policy of expanding on the East and West Coasts, and in other so-called "growth areas." In 1954 Bethlehem's earnings would have exceeded those of 1953, were it not for higher amortization charges.

Republic Steel and Jones & Laughlin, third and fourth largest steel producers, should show the full impact next year of improved steel buying by automotive, appliance and other consumer products lines. Republic Steel should step up its earnings to $8.50 a share, on a 75 per cent rate for the industry.

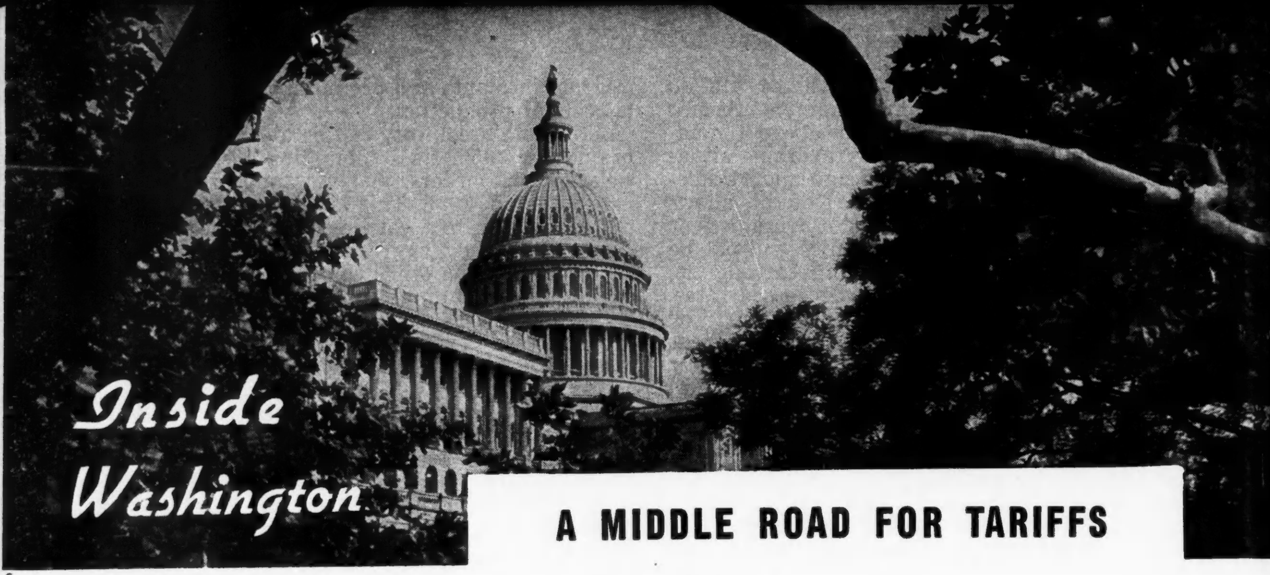
Jones & Laughlin recognizing that heavy depreciation and accelerated amortization charges were cutting its earnings sharply, with operations curtailed, issued alternative earnings reports each quarter through 1954. In one report, depreciation and amortization charges were calculated at the full rate. In the other, a downward adjustment was made in these charges to take into account the reduced operations of facilities. As a result, J. & L., which has large debts, was able to present a somewhat better picture of its (*Please turn to page* 341)

How Steel Companies Should Fare in 1955 with Average Operations for Industry at 75% of Capacity

	1952 At 85.8%† (Capacity 108.5 Million Tons) Net Per Share	Div. Per Share	1953 At 94.9%† (Capacity 117.5 Million Tons) Net Per Share	Div. Per Share	1954 At 72.0%† (Capacity 124.3 Million Tons) Estimated Net Per Share	Indicated Div. Per Share	1955* Projection of Net Per Share	Price Range 1954	Recent Price	Div. Yield
Allegheny Ludlum	$ 3.37	$ 2.00[2]	$ 4.40	$ 2.00[2]	$ 2.00	$ 2.00	$ 3.00	41¼-28¼	41	4.8%
Armco Steel	6.01	3.00	6.50	3.00	7.25	3.00	8.50	63⅞-33¼	63	4.7
Bethlehem Steel	8.80	4.00	13.30	4.00	10.50	5.75	12.50-13.00	95¼-50	94	6.1
Colorado Fuel & Iron	2.64	1.50	3.09	1.50	2.46[1]	....[3]	3.10	22⅞-15⅜	22	....
Crucible Steel	6.13	....[5]	5.29	....[4]	3.00	....[4]	3.10	32 -21¾	30	....
Granite City Steel	2.83	1.10[2]	3.77	....[6]	2.00	....[7]	3.90	22½-14½	22	....
Inland Steel	4.85	3.00	6.90	3.50	7.25	3.75	8.30	69⅞-40⅞	69	5.4
Jones & Laughlin (A)	2.91	1.80	4.77	1.95	3.50	2.00	4.40(B) 2.80(C)	31¼-19¾	31	6.4
National Steel	5.11	3.00	6.71	3.25	3.75	3.00	4.75	59½-46	59	5.0
Pittsburgh Steel	3.25	....[4]	2.61	....[4]	1.50	....[4]	4.00	23⅜-12⅞	23	....
Republic Steel	7.21	4.00	9.25	4.12½	7.00	4.87½	8.50	70½-47⅜	70	6.9
Sharon Steel	4.65	4.00	6.10	4.00	2.00	2.50	3.10	37⅝-27⅛	32	7.9
U. S. Steel	4.54	3.00	7.54	3.00	6.25	3.00	7.40	69⅛-39	68	4.4
Wheeling Steel	6.44	3.00	7.49	3.00	6.00	3.00	7.50	49⅞-30⅛	47	6.3
Youngstown Sheet & Tube	6.84	3.00	9.21	3.00	5.00	3.75	8.00	65 -38	63	5.9

*—Estimated Per Share earnings at 75% of capacity in 1955.
†—Steel industry's average operating rate.
(A)—Issues two kinds of reports; one is full accelerated amortization, the other is amortization scaled down.
(B)—On basis of reduced amortization for shareholders.
(C)—On basis of amortization in report to Bur. of Int. Rev. with full accelerated rate.

[1]—Year ended June 30, 1954.
[2]—Plus stock.
[3]—Paid 7½% stock.
[4]—Paid 8% stock.
[5]—Paid 10% stock.
[6]—Paid 12% stock.
[7]—Paid 6% stock.



A MIDDLE ROAD FOR TARIFFS

By "VERITAS"

FEDERAL AID for school construction programs will remain in the study stage during the next session of congress. Money-wise, it would have been the biggest undertaking since the days of WPA-PWA. The problem has been growing with delays. The high post-war birth rate means that by 1960 enrollment in primary schools will be about 9 million higher than it is today; high schools will have 6 million more than now. Many localities simply cannot finance more schools. Their officials regard pious protests that "control follows the dollar" to be plain evasion. And southern congressmen will hold off until they know whether their states will continue to have public schools. In this way, the Administration hopes to avoid making too many enemies among industrial and business interests who have been fighting too great a liberalization of existing tariff laws. Probably, this is the safest political approach to this vexing problem.

WASHINGTON SEES:

A determined fight will be made in the next few months to bring about severance of United States diplomatic relations with Russia. The emotional appeal to strike back at the Soviet will present a difficult hurdle to President Eisenhower and those who side with him on a policy of forgoing the dramatic in favor of sound national policy.

To break relations with Moscow at this time could broaden the Red orbit, say opponents. With complete control of informational media in the Soviet and satellite countries, the communists could build the State Department action as a "declaration of war"—another instance of "war-mongering." This would put it up to countries edging toward communism to make immediate choice of ally, and in the present state of world affairs that could be bad for the democracies.

The break with Russia will take the form of a campaign for withdrawal from UN. There's outspoken sentiment for that today and it comes from highly-placed personalities. In fact it has given the White House sufficient concern to warrant a counter-offensive led by our U.N. Ambassador, Henry Cabot Lodge. The test of strength will come at that point; not that leaving U.N. is, as of today, a probability, but because substantial demand for such action might result in breaking the ties with the Kremlin, tenuous as they are. Diplomatically and commercially, nothing would be lost by cutting this nation adrift from the Soviet; but strategically and tactically it's considered by the White House to be the better part of wisdom to have Russia considered by the world to be held to the basic rules of international conduct. Other countries can judge then who's the defaulter.

RIGHT TO WORK laws pending in many state legislatures (they would bar the union shop within their jurisdictions), have been struck a stalling blow through the election of several governors who are either on record against the measures or are listed by labor unions as "safe" on the subject. Listed as opponents of the statutes (which have solid management backing) are: Knight of California; Gray of Oklahoma; Hall of Kansas; Johnson of Colorado; Freeman of Minnesota; Leader of Pennsylvania; Ribicoff of Connecticut; Heogh of Iowa; and Patterson of Oregon. All had labor indorsement.

TARIFF program of the White House is taking shape and the form which is appearing is one which will not fully please either the high tariff group or the free traders but is one with which they can go along. Foes of the reciprocal trade agreement program know their cause is lost. It would take an unlooked-for change in sentiment to defeat a three-year extension. But the Administration will be sustained on a policy of making haste slowly: no attempt will be made to electrify the world by sweeping tariff concessions; cuts will be item-by-item, selective.

STATE LEVEL drive against consumer taxes will be launched by American Federation of Labor. Locals in all states have been urged to sit on the doorsteps of their state legislators until real estate is made to carry a heavier share of the state and local burdens, sales taxes and other excises less. Studies have been made which show states collect as much as 85 per cent of their total revenue from levies on goods and services.

As We Go To Press

Defeat of Senator Homer Ferguson at the polls last month may have saved the republicans a congressional fight of dangerous proportion. And it may have done much to mark out the political future of Vice President Nixon. Ferguson was slated to displace Senator William R. Knowland of California, as party leader in the senate. The skids had been greased: Ferguson had been "sold" to a majority of the GOP senators on the basis of geographical advantage (Michigan, as against the far western state of California); his noncontroversial stand on foreign affairs as against Knowland's open defiance of the White House; and his detachment from Presidential ambitions. Nixon was a prime mover in the tactic; Knowland stood in the way of his advancement.

It's too late now to begin a boom for another. Knowland had been made aware of the plan to unseat him, had planned passive resistance short of a fight that would make him appear sadly bested when he lost, as lose he would. Now the California member is defiant; knows that to put a second contender against him would give him the militant aid of senators who were only lukewarm to change for the sake of change only. Any further ouster move would bring to Knowland's side the Taftites in the senate, and the smouldering fires of dissension would flame. If Nixon were able to put his fellow Californian into the background he would be certain, some say, to be the Favorite Son nominee of the West Coast at the next GOP Presidential convention. Now that Governor Knight of California, is showing interest in heading the ticket, should Ike drop out, it's a Knowland-Nixon-Knight fight. Result may be no Favorite Son.

Enthusiasm over use of atomic energy for industrial purposes is not excessive. The AEC is not receiving the calls for information that had been expected in the wake of a national policy declaration that private business would be cut in. Queries now smack of plain curiosity, not intent to move ahead. The fact is that the cost of translating A-energy into peacetime uses at present is too great for private industry to carry. The huge outlay for basic development runs up against governmental budgetary blocks. If the government is to carry out the research, the base must be broad enough--and costly enough--to promise benefit to all industry, not to a specialized type.

It takes more than the amendments which were written into the Atomic Energy Act to place atomic energy within the reach of industry. Private operation of reactors now is permissible; but nobody yet envisions return likely to pay for the experiment. The international atomic energy pool proposed by Presidennt Eisenhower was a dramatic gesture, received worldwide praise. But the interest and the applause seem to have abated simultaneously. The most hopeful step thus far is the study of non-military use which will be made by the National Planning Association under a grant from Resources for the Future, Inc., an entity created two years ago by the Ford Foundation. The study will divide into the following parts: national interest, interest of geographical regions, industry's interests, government-business relationships, and international needs and problems.

The first of the threatened congressional investigations by which it is intended to embarrass the Administration has come to a dead end. The Department of Justice was to be put on the hot seat by the senate judiciary committee, required to explain why it directed a U. S. District Attorney to challenge the impartiality of a federal judge to hear the case against Lattimore of China Lobby fame. Senators absented themselves and the hearing was postponed without date. To receive evidence on the allegation that the Department of Justice wants to dictate federal court decisions in advance of trials, would be particularly inappropriate when the incident is a suit about to go to trial here. Jurors could hardly be expected to hear the testimony by govern-

ment witnesses and weigh it disassociated from the charge that the Department of Justice was attempting to pull wires outside the courtroom, obtain a judge with a conviction complex.

This case involved a prominent jurist. Judge Youngdahl had been Governor of Minnesota when called to the bench by President Truman--a democratic President appointing a republican to coveted position! Youngdahl not only was considered unbeatable in any contest he might enter in Minnesota, but also was regarded as one of the few politicians who could rub his vote-getting powers onto others. It was a master political stroke for Truman: witness the sweeping re-election of Senator Humphrey, which followed. But the Brownell Department of Justice has been cool to Judge Youngdahl, just as it had been keen for Governor Youngdahl. That made public airing of charges spicy.

The important thing is that it was a maverick republican, Senator William M. Langer, chairman of the senate judiciary committee, who thought up, arranged the investigation. With another former republican, Senator Wayne Morse of Oregon, rarin' to go against his ex-associates, it's already clear that the GOP has less to fear from the democrats in the next session than it has from men who came to congress as republicans.

The State Department is working hard to soft-pedal some of the more bellicose implications of Red China's sentencing 13 Americans for espionage. Natural public reaction is that Moscow is pulling the strings and China is mechanically reacting. It sounds logical; in the Asiatic area, it provides another instance of lost face on the part of the Western democracies, suggests that the Reds have the upper hand, have the free world cowed. Washington is offering the suggestion that this is only another example of China's own hatred for the white man, a national attitude that requires periodic abuse of the Caucasians, parading of a few "specimens" in chains. Police have been alerted nationwide to guard against swift, drastic local actions against Chinese to avenge the arrests.

Agriculture Secretary Ezra Taft Benson considers his farm program has been vindicated by the election. But Benson, once regarded as the Cabinet member most likely to be fired (congressmen were demanding it a few months after he took office), now is billed as top man and the reason is becoming clear. His patience carried him through the dark days of rigid support vs. flexible support. Now that he's in the driver's seat he might be expected to throw his weight around, implement with action all the pricing permissives congress gave him. But Benson knows democrats will control the congressional committees on agriculture in another month. He knows, too, that they'll seize upon precipitate action as a confession of weakness in the basic farm plan, a weakness they'll say that couldn't stand more critical examination. So his course will be a cautious, moderate one. It won't be his fault if the farm belt becomes a political football in the next two years.

The U. S. chemical industry which likes to paddle its own canoe (it avoids sudden upsets that way) has completed privately-financed construction projects representing an investment of more than $1.216 billion during the past 12 months. It now has under construction or definitely planned, another $1.514 billion, according to a survey of chemical industry expansion by the Manufacturing Chemists' Association.

Labor organizations long ago learned that there is a tone of finality to mathematical pronouncements. That goes equally well for accepted data and for projections in which the breadth of the imagination sets the limits. For example, CIO's late November offering: "A $7 billion melon was distributed to stockholders in the first 10 months of this year by those corporations which publish their dividend figures. It is estimated that these dividends approximate two-thirds of the total. So, total corporation dividends would add up to about $10.5 billions. A 1¢ decline in the average rate for non-overtime factory work for the preceding months was registered in mid-October, despite new wage increases."

Canada Gets Bill for Speculative Excesses

By V. L. HOROTH

It is difficult to be skeptical or pessimistic about Canada. Here is a country that is bound to grow, that has natural resources and a perfect investment climate—a country, in short, that is standing on the threshold of her future.

One can find innumerable reasons for being enthusiastic about Canada's economic future. Her population is growing at a faster rate than ever before; approaching some 16 million now, it is expected to increase in another 25 years to over 25 million. The value of her national income is now around $20 billion, which is, of course, the highest on record. It is anticipated that the income will increase to around $65 billion (at current prices) by 1980.

Fixed capital investment in new plant and equipment will, it is expected, establish a new record in 1954, and on the per capita basis it will probably be the highest in the world—higher even than in the United States, and several times as high as in Mexico or Brazil. Exploration activities, as we pointed out not so long ago in these pages, are reaching into the vast sub-arctic regions. The whole country is in the midst of an unprecedented building boom, particularly remarkable in British Colombia and central Alberta. It is expected that at least 100,000 residential houses will be built in Canada in 1954, almost as many as in France and half as many as in Great Britain.

The Canadian dollar is harder at present than is the U. S. dollar, and the inflow of capital in 1954 will be one of the largest on record, topped only in 1950 when American capital sought refuge in Canada.

What is the flaw in this picture? The stock promotion mills on both sides of the international border are prone to suggest that there are no flaws at all. They know that Canada is the subject of almost universal enthusiasm at present and they are playing this enthusiasm to the hilt. But every country must be viewed realistically; not even in Canada is the investor likely to find his dream of unending profits with no risk at all. Canada's future, brilliant though it may be, will not be an uninterrupted succession of ever higher records, as some people imagine. There will be serious "growing pains" caused by excesses and by uneven development of the country's economy. The Dominion, being dependent upon foreign trade about three times as much as the United States is, will be subject more than ever in the past to ups and downs in world trade. Any setback in Canada's economy, temporary though it may be, is likely to have a sharply multiplied effect on the highly speculative stocks which are appearing in increasing numbers and which President Funston of the New York Stock Exchange so aptly called "Canadian moose pasture" shares.

Canada's Economic Expansion Oversold

Because of their growth feature, Canadian securities have always appealed to some American investors. During the earlier postwar years there was a period when the Dominion was regarded as a better-run country than the U. S., largely because of its smaller budget deficit and its tax-cutting record. Many Canadians took issue with these claims and pointed to the heavy Dominion expenditures for social welfare and to the relatively smaller defense expenditures. In fact, many Canadian investors sought investment in U. S. stocks and bonds, partly for the sake of diversification, and partly because the tremendous absorptive power of the American market appealed to them. Clearly it was a case of the grass looking greener on the other side of the fence and of ignorance of the other fellow's problems.

In more recent years, however, the undisputed expansion of the Canadian economy has provided a free ride for a growing number of speculators and stock promoters. Gold, petroleum, uranium and other mining stocks have, as always, held the greatest appeal for those who have hoped to "get rich quick." Undoubtedly some of these highly speculative stocks are backed by discoveries that are genuine. But others of these discoveries have been made in trans-polar-circle regions that will remain "moose

Movement of U. S. Investment Capital In and Out of Canada

(In Millions of Dollars)

	1946	1947	1948	1949	1950	1951	1952	1953	1954 est.
U. S. NEW DIRECT INVEST. CAPITAL:									
Petroleum	2	12	23	59	98	140	128	155	......
Mining	......	2	5	10	30	37	99	104	......
Transportation	......	......	......	......	18	10	51	17	......
Pulp and Paper	20	11	14	3	9	31	7	......	......
Other	41	41	37	42	88	91	78	85	......
Total New Capital	63	66	79	114	243	309	363	361	260
Reinvestment of profits	129	97	178	187	114	167	127	158	......
Other U. S. capital flow	–68	–43	2	–13	–16	– 5	117	–22	......
Net Increase in book of U. S. direct investments	124	120	259	288	341	471	607	496	......

Status of U. S. Investments in Canada

(In Millions of Dollars)

	1946	1947	1948	1949	1950	1951	1952	1953	1954 est.
U. S. INVESTMENTS IN CANADA:									
In Gov. securities	1,438	1,387	1,467	1,534	1,746	1,898	1,826	......	......
In public utilities	1,158	1,096	1,090	1,063	1,123	1,146	1,191	......	......
In manufacturing	1,554	1,676	1,936	2,099	2,260	2,568	2,912	......	......
In mining & smelting	311	324	347	416	549	723	972	......	......
In merchandising	173	185	194	211	230	270	307	......	......
All others	523	532	532	582	640	654	768	......	......
Total U. S. investments	5,157	5,200	5,566	5,905	6,548	7,259	7,976	8,600e	9,250e
Interest and dividend transfers to U. S.	......	......	......	......	......	382	344	341	......

e—Estimated.

Canada: Capital Movement

(In Millions of Dollars)

	New Direct Investments					Securities					
	U. S. in Oil	Other U. S.	Total U. S.	Other Countries	Total Direct	New Issues Abroad	Trade in Outstanding	Retirements	Net	Other Capital Movement	Net Capital Movement
1950	98	102	200	22	222	210	329	–284	255	+551	694
1951	140	130	270	39	309	411	38	–184	265	– 18	556
1952	128	191	319	27	346	316	– 94	– 89	133	–646	–164
1953	155	175	330	68	398	342	– 31	–142	169	–128	439
1954 est.	......	......	......	......	260	314	138	–171	281	+ 12	553

or caribou pastures" for at least a generation or two, before transportation facilities reach them. No one, really, should be buying the uranium and penny gold stocks that are being offered around without consulting the transportation map of Canada and without knowing something about the area concerned. Buying stocks and lots without looking at them is risky enough when they are located in Florida or Louisiana; when they are located 4,000 to 5,000 miles away in the sub-arctic vastness, it is sheer foolhardiness.

Now and then some of the most obvious transgressors, such as the Trans-Dominion Mining & Oil Corporation, are denied trading privileges on stock exchanges. But most of the companies whose sole assets seem to be mining claims and a Geiger counter are small, and hence exempted from registration and supervision on either side of the border. Meanwhile the officials in the two countries are accusing each other of laxity in this respect. Here in New York, Mr. Funston is warning against "shoddy shysters from Quebec," while in Ontario the Chairman of the Securities Commission is asserting that the Americans are being swindled at home by their own talent "without any outside assistance."

Although better-grade Canadian securities usually follow a sedate course, the story is quite different for the welter of speculative stocks mostly in mining and oil exploration, that range down to the penny class in price. In this category booms and busts are the rule rather than the exception and drastic price changes can occur in short order.

There are several reasons for the extreme volatility of many of the securities traded in Canada. In the first place, prospecting for minerals is a risky business at best and chance plays a big part in the result. Then again, there is a shortage of risk capital for this type of enterprise and as a result many of the companies are of the "shoe string" variety, with hundreds of the stocks on the Toronto Stock Exchange selling under a dollar a share.

The genesis and growth of a boom can be seen by study of the events of early 1953 when news of the discovery of uranium in Saskatchewan and base metals in the Bathurst area of New Brunswick brought hundreds of companies flocking to stake claims in the vicinity. Investors bought heavily, spurred by the rich nature of the original finds and stocks zoomed 200, 500, even 1000% in some cases. In a short two months, prices had reached their peaks and the course thereafter in most cases was one of quick descent, as miners began the tedious process of trying to locate worthwhile orebodies, usually without success.

The same process was demonstrated in the drastic flattening-out of the oil stock boom in Canada in 1952 which ran on into 1953. Many unwary speculators were caught in the precipitous decline of the "penny" stocks and losses in even some of the more substantial oil stocks, which had been excessively boomed, were considerable. This all goes to show that in a rapidly growing country such as Canada, speculative risks in many ventures are inherent and that the national process of overcoming "growing pains" can be quite costly to those who are on the look-out for quick profits. Far-seeing investors, concentrating in sound equities on the other hand, willing to exercise patience are more likely to see their investments grow in value as Canada attains greater maturity.

Money is the lifeblood of prospecting as of most economic activity and the problem of raising funds for this purpose has been a continuing one for most of the smaller Canadian companies. The regulatory authorities of the various provinces have also been concerned to frame statutes that would give the investor a run for his money while maintaining incentives for the finances. Ontario has been a leader in this regard, while Quebec has lagged badly, although the latter is now planning to modernize its regulations. Even with the best of laws, however, the risks in this field remain large and the situation is aggravated by the unethical promoter, who is always with us and who is out to milk the unwary while remaining within the bounds of the law. Most investors are in no position to assess the potentialities of a given property and in some cases this enables insiders to unload their holdings at rigged prices. It thus appears obvious that the purchase of marginal companies in this field is not a healthy occupation for the novice.

Soft Spots in Canada

In recent months a number of soft spots have developed in Canada. None of them is important enough to lead to any serious maladjustment in the country's economy, but individually or together they may bring on a separation of the chaff from the wheat—by a break in the unhealthy boom in speculative stocks.

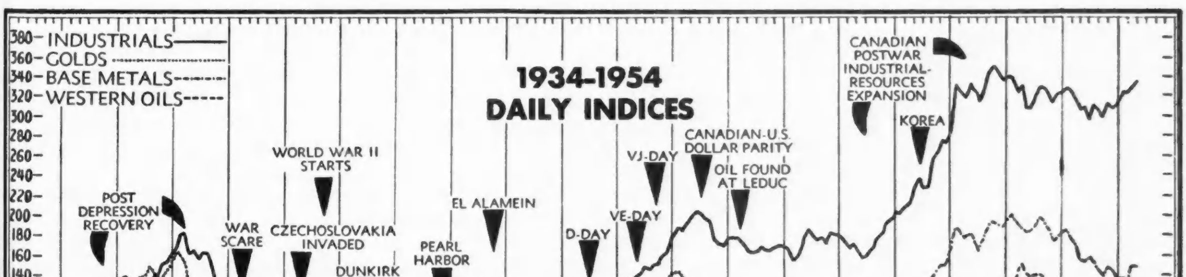
First, there are indications that the purchasing power of the farm areas—which play a more important role in Canada's economy than in the economy of the U. S., may be somewhat reduced as a result of declining prices and a smaller wheat crop. In general, Canadian farmers have felt the comeback of West European agriculture more keenly than U. S. farmers. Exports of wheat during the first half of this year were considerably below those of 1952 and 1953, but the export sales are apparently making a better showing this fall. The expanding consumption of farm products at home may partially offset the loss of foreign markets.

Second, Canadian manufacturing industries are also beginning to feel more keenly the competition of American and West European producers in both foreign and home markets. Markets for some Canadian industrial products have been lost. The Canadian textile industry is going through a particularly trying adjustment because of the loss of export markets and because of competition at home, which has been more severe than at any other time since before the war. Manufacturers of certain machine and appliances and many drugs and chemicals are also complaining of stiffer competition, particularly from German goods, the imports of which have nearly doubled in the last two years. At the same time the export sales of those Canadian industries which serve the United States market have yet to recover their pre-recession volume and value.

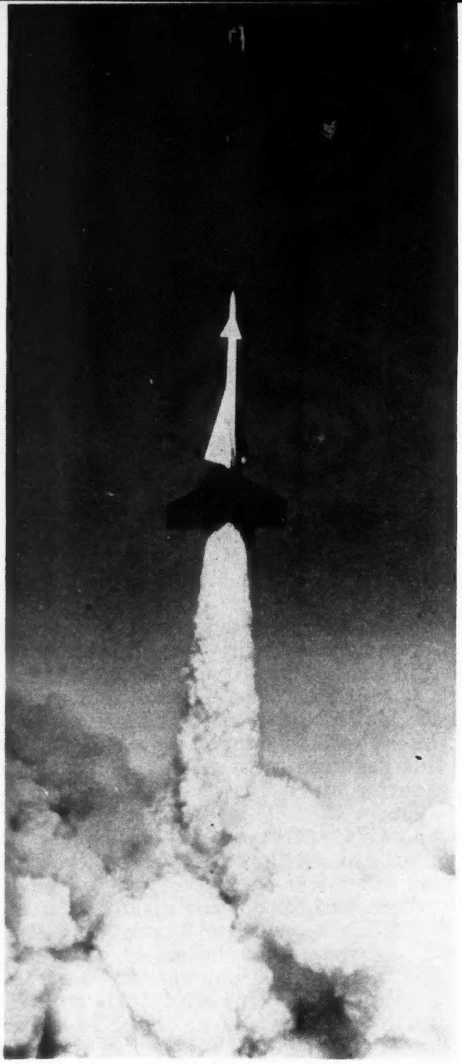
All this has been reflected in the decline in Canadian exports, which reached the postwar peak of \$4.4 billion in 1952. They dropped to \$4.2 billion in 1953, and this year they will probably be around \$3.9 billion; it is quite possible that they will decline still more in 1955. Canadian imports have been generally better sustained than exports. As a result, the export surplus which amounted to \$325 million in 1952 changed into a deficit of \$210 million in 1953, and there will be another deficit of \$100 million or so in 1954. However, it is unlikely that Canada will accumulate large deficit in merchandise trade in the future. The increasing self-sufficiency in petroleum, gas, and steel is bound to reduce the imports of these products which normally accounted for about one-third of Canadian imports.

While Canada's deficit in merchandise trade is manageable, there is a heavy deficit, running currently at around \$350 *(Please turn to page 356)*

TORONTO STOCK EXCHANGE



BANK OF TORONTO



Future of *RADAR–GUIDED MISSILES*

By HORACE GRANGER

Out of the gruesomeness of wars, mankind is usually blessed with rapid scientific and technological progress resulting from the concentrated effort put into research and production. Although we are not now actively at war, defense expenditures are holding at high levels and the Government is subsidizing an enormous amount of research in many directions.

In two fields, guided missiles and radar, great strides are being made which may pave the way for civilian applications even beyond those presently envisioned. The latest accomplishments are still shrouded in secrecy but some feats have already been revealed. They indicate the possibility of major changes in important sectors of the economy in the not too distant future and offer investors opportunities to participate in growth situations.

The principal known use of radar is for tracking objects such as aircraft and ships but radar scopes also "see" distant weather, can be used for mapping, for directing flights away from unseen obstacles such as mountains and may even ultimately aid medical science by exploring internal organs of humans.

Radar instruments connected to electronically actuated instruments are a part of nearly every guided missile. They help provide needed directional and altitudinal guidance. Ground radar installations permit human observance and control of the path followed by these missiles. As radar and electronic advances are made, it is expected that the human factor could be completely eliminated.

A firing range for missiles is now being operated for the government by *Pan American World Airways* at Coca Beach, Florida. *Radio Corp. of America* has been hired as subcontractor to operate radar and electronic tracking and calculating stations throughout the Caribbean. From this site, missiles are launched with destinations of up to 1,000 miles out to sea. Negotiations are now underway with our southerly neighbors to acquire additional tracking sites at more distant points. These would permit extension of the range to perhaps double the current radius.

Pan American operates and maintains the stations. It supervises the firings and makes the recovery, when possible, of the missiles after they have landed. Too few of the missiles can be recovered, however, because military needs have emphasized launching and flight guidance with explosion as the ultimate finish. Research, so far, has neglected to find an adequate solution of how to slow the missiles and guide them in consistently for safe landings.

New Company Developments

Manufacturers of virtually every type of missile have sent their products into the air here while stations along the route, manned by RCA scientists have tracked the progress and give any needed electronic guidance, to the designated destination. RCA provides electronic calculating and telecommunication as well as guidance.

The missiles have been conceived as weapons of war but it is hoped that they can eventually be used to provide low cost transportation. Whether they will ever be developed to fly with cargo or passengers is something to be decided in the future for it may be necessary to always have an engineer aboard to add the human safety factor. However, with the guidance systems and radar already developed, flying is much easier and safer than ever.

Companies Engaged in Manufacture of Guided Missiles and Radar

MISSILES

PRIME CONTRACTORS	NAME GIVEN TO MISSILE
Bell Aircraft	rascal
Boeing Airplane	bomark
Chance Vought	regulus
Chrysler	redstone
Douglas Aircraft	nike
Fairchild Eng. & Air.	lark
Firestone Tire & Rubber	corporal
General Dynamics	through Convair's terrier
General Electric	hermes
Lockheed Aircraft	....
Martin (Glenn L.)	matador
North American Aviation	navaho
Northrop Aircraft	snark
Sperry Corp.	sparrow

SUB-CONTRACTORS	FUNCTION
American Bosch Arma	guidance
General Electric	guidance and propulsion
General Motors	propulsion
General Precision Equipment	guidance
General Tire & Rubber	propulsion
Goodyear Tire & Rubber	guidance, propulsion
Minneapolis Honeywell Reg.	guidance
Pan Amer. World Airways	firing ranges
Radio Corp. of America	guidance
Raytheon Mfg.	guidance
Remington Rand	electronic computors
Sperry Corp.	guidance, electronics
Thompson Products	guidance and propulsion
Westinghouse Electric	electronics and propulsion

RADAR

RADAR (Civilian)	RADAR (Military)
Raytheon Mfg.	Raytheon Mfg.
Sperry Corp.	Sperry Corp.
Radio Corp. of Amer.	Radio Corp. of Amer.
Bendix Aviation	Bendix Aviation
	Goodyear Tire & Rubber
	Hazeltine Corp.
	Amer. Tel. & Tel.
	General Electric
	Westinghouse Electric

Combining guidance and radar with electronic computers at centralized locations may eliminate many hazards in present day commercial flying. A *Remington Rand* ERA 1101 "Giant Brain" could be programmed to absorb all data concerning flight schedules of planes heading toward a specified field and combine this information with weather reports, to time and route all incoming flights so as to avoid bad weather and allow the planes to arrive at staggered intervals, then land without the need of "stacking up."

Completely automatic flight of high-speed aircraft and guided missiles is foreseen under a working agreement reached by *Westinghouse Electric Corp.* and Ramo Wooldridge Corp., a subsidiary of *Thompson Products.* Westinghouse is investing $1 million for Ramo-Wooldridge engineers and scientists to develop for use by the two companies airborne miniatured versions of the giant computers. It is anticipated that within two years, sufficient progress will have been made to justify the use of this equipment in specific military aircraft.

The importance of missiles to defense is indicated by the fact that missile expenditures are being stepped up by the armed forces. At the end of the last fiscal year, the three armed services had $1.1 billion in appropriations for missiles which had not yet been spent. During the year, about $300 million had been spent for missiles out of $635 million of new appropriations. Current fiscal year expenditures are estimated at $500 million and there are plans for actual expenditures of more than $700 million in the year starting July 1, 1955.

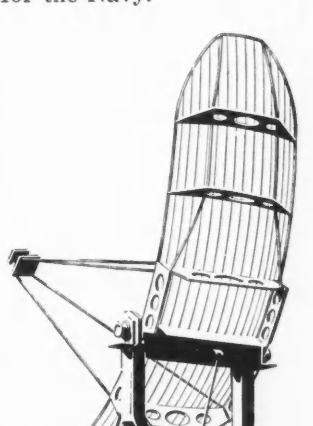
It is estimated that missiles will account for about 9 per cent of the current fiscal year spending by the U.S. Air Force. This ratio should be stepped up in the period ahead and compared with less than 3 per cent in previous years. Significantly, the Air Force is spending about $92 million in the 1954-1955 fiscal year on guided missile research and $80 million on propulsion compared with a total of $34 million for the more conventional aircraft.

Some of the more noteworthy military missiles which have been developed include the 12,000 pound *Glenn L. Martin* "matador" which has been in production since 1951. Squadrons of the planes have been sent to Europe to man NATO bases. Launched by rocket propellant, the missile has a 500 mile range and is powered by a *General Motors* Allison J33 jet engine.

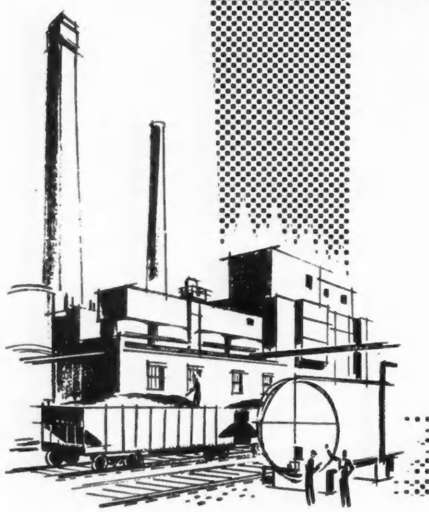
Douglas Aircraft Co., Inc. makes the "nike" guided missile. This is the only other missile known to be in mass production at the present time. Several stations around the United States are known to be armed with nike anti-aircraft batteries. Eight "nike" sites have been built around Hampton Roads, Va., for example, at a cost to the U.S. of almost $5 million. The nike can follow its target and strike at supersonic speeds.

Army ordnance was an important force in the development of the nike but two *American Telephone and Telegraph Co.* subsidiaries also made important contributions. Bell Laboratories and Western Electric Co. cooperated to develop and manufacture the nike "brains." Deliveries of nike systems accounted in good part for the $440 million in defense sales chalked up last year by Western Electric. In addition to the Bell System, Douglas has been in collaboration with *Sperry, General Electric* and *Raytheon* in the development of various missile projects such as the "sparrow" for the Navy.

Bell Aircraft produces one known as the "rascal" which is designed to be launched in the air from the bay of a bomber. It has a 100-mile range. *Chance Vought* is engaged in output of the "regulus" which has a somewhat longer range and is equipped with controls that permit the missile to be directed home and landed safely. Its engine is the same Allison which powers the "matador."



The missiles, which differ from rockets principally because they have wings, have (*Please turn to page 341*)



Stock Split Candidates for 1955

By F. A. WILLIAMSON

Another wave of stock splits looms ahead. Sharp advances in numerous popular industrial and railroad issues have directed attention to the possible desirability of breakups into smaller units. Thus prosperity seems to breed prosperity, for the higher stock prices climb, the greater the apparent need for restoring quotations to popular levels through increases in capitalization. The holiday season is an appropriate occasion for discussing prospective bonus distributions of this kind.

Managements have evidenced a reluctance to approve stock splits simply because inflationary forces have raised prices in all directions and may prove temporary (some believe). Nevertheless, persuasive economic reasons can be set forth to justify efforts at keeping stocks within reasonable price limitations. Such arguments have proved effective in many instances. As a consequence, many actions in this direction have been taken this year and a great many more have received serious consideration. Indications point to a new record in 1955 for stock distributions.

Reasons for Stock Splits

In considering this development as a market factor, it is necessary to review the compelling reasons and to take into account management attitude. In the first place, some executives feel that an extensive stockholder list is an important asset. Manufacturers of consumer products, for example, feel that stockholders are likely to prove good customers; hence, sales potentials may be enlarged through steady growth in owners of shares. From a business viewpoint, it has been suggested that stockholders are more likely than not to protest against socialistic philosophies in the Federal government. All corporate enterprise, therefore, should benefit, it is contended, from broadening in the number of stockholders participating in industry ownership.

A large ownership is important to a growing company, moreover, in preparation for raising capital. Regardless of whether management endeavors to obtain funds through bank borrowings or through an offering of additional stock to shareholders, wide diversification in ownership is important. Extensive distribution of shares contributes to price stability, especially in period of market disturbances. Shares owned outright by a great number of individuals are more firmly placed than those held in large blocks by a few owners who may be motivated by fear to dispose of parts of their investments.

The stock split idea has proved advantageous as a means of avoiding criticism from labor elements. Managements have been vulnerable to pressures for wage increases because earnings have seemed high expressed in terms of shares outstanding, whereas the return on capital investment may have been moderate. Values of ownership may have risen much less spectacularly than wage rates, but spotlighted in a stock table they may symbolize a degree of prosperity out of all proportion to actual facts. Accordingly, rather than argue the merits of their position, many managements have approved of stock splits to safeguard earnings and values from attack on this score.

A desire to maintain a satisfactory floating supply so as to avoid wide market fluctuations sometimes dictates the necessity of approving a stock split. Accumulation of seasoned common stocks by pension funds and other institutional investors, for example, tends to reduce the number of shares available for the general public. This development has become especially noticeable in recent years. More than one management has indicated that the importance of assuring a stable market for its shares had proved a major factor in reaching a decision in favor of a breakup into smaller units.

Evidence of the strong trend toward accumulation of shares in hands of large holders is found in periodic statements of prominent industrial companies. Many disclose a decline in the number of individual names on stockholder lists as well as a rise in the average number of shares owned by a single stockholder. Such statistics seem to indicate accumulation of stock in strong hands.

Some Statistics on Number of Stockholders

Before considering present conditions affecting several individual companies which may provide a basis for favorable action, it may be enlightening to review some figures on changes in stockholder lists. Recent tabulations disclose that General Motors and U.S. Steel, typical favorites of institutional investors, lost stockholders in the market's rise this year. The former, for example numbered 466,155 owners at the end of March, a new peak; but the list had dropped to 461,364 six months later as almost 5,000 owners disposed of their holdings on the rise in price. In like manner, some 25,000 stockholders of U.S. Steel sold their shares on the advance and Bethlehem's list of owners was reduced this year.

In the past stocks splits have contributed to enlargement of ownership rolls. U.S. Steel reported a rise of about 16 per cent in the number of names on its books in a few months after the stock was split on a 3-for-1 ratio five years ago. Westinghouse Electric experienced a substantial increase in its list in the year following a division nine years ago. General Electric achieved a sizable gain in stockholders partly through adoption of a plan for encouraging employees to become stockholders and partly as a result of the stock split approved a year ago. Westinghouse also has added several thousand employees' names to its list of owners through operations of a plan enabling workers to purchase shares out of income.

One of the largest corporations in the world most frequently mentioned as a stock split candidate continues to enlarge its list of holders without need of reducing the price of the stock. This reference, of course, is to American Telephone & Telegraph, which has the largest number of stockholders at more than 1.3 million, many of whom are employees who purchased stock cut of payroll deductions. The management has demonstrated that the "high" $9 annual dividend has proved no serious handicap in rate negotiations or in wage discussions. Although a stock split probably would encourage wider distribution of the stock, the management has seen no necessity for adding to the number of stockholders at a greater rate than has been experienced. No especial advantage would be attained, it is felt, by acceding to pressure for a split.

Any discussion such as this holds much greater interest for the reader if it directs attention to specific situations instead of dwelling on generalizations. To supply this need, a compilation has been prepared listing representative companies whose stocks appear likely candidates for splits. This is by no means a comprehensive grouping, but it suggests the types of stocks which have gained widespread acceptance among institutional investors. Brief comments on selected issues in this restricted collection will be presented here.

The Individual Candidates

ATLANTIC COAST LINE: In the railroad field, Atlantic Coast Line shapes up as a logical candidate for an increase in capitalization. Earnings have averaged about $16 a share in the last five years, assuming that net income this year may approximate last year's $14.60 a share. Dividends have been raised gradually, but distributions of $6 a share annually authorized this year represent a comparatively modest proportion of earnings. Directors would seem warranted in giving consideration to a higher rate in 1955 provided business prospects remain reassuring. In view of the fact that debt has been reduced to manageable proportions and capitalization consists of only 823,427 common shares in addition to a small issue of non-redeemable $5 preferred, the situation would seem to call for a split in the shares.

BABCOCK & WILCOX: A beneficiary of active industrial construction in recent years, Babcock

17 Potential Stock Splits

		1953		1954			
	Price Range 1954 To-Date	Earnings Per Share	Div. Per Share	Estimated Earnings Per Share	Indicated Div. Per Share	Recent Price	Div. Yield
Allied Chemical & Dye	101-72	$ 5.10	$ 3.00	$ 5.15	$ 3.00	94	3.1%
Allis-Chalmers	74-45	6.58	3.00	7.00	4.00	73	5.4
Armstrong Cork	92-57	5.84	3.50	7.00	3.50	92	3.8
Atlantic Coast Line R.R.	139-85	14.60	6.00	13.75	6.00	138	4.3
Babcock & Wilcox	71-42	7.75	2.00[1]	8.00	2.50[1]	67	3.7
Bethlehem Steel	95-50	13.30	4.00	11.00	5.75	93	6.1
Caterpillar Tractor	78-44	4.84	2.50[1]	5.40	2.00[1]	78	2.5
Chicago, R. I. & Pac.	84-62	16.07	4.50	10.50	5.00	83	6.0
Corning Glass Works	149-87	4.66	2.00	5.50	2.00	145	1.3
Firestone Tire & Rubber*	102-63	11.77	3.75	9.50	3.75	102	3.6
Lehigh Portland Cement	54-27	3.32	1.20	3.70	1.20	54	2.2
Mid-Continent Petroleum	99-65	7.75	4.00	7.75	4.00	91	4.3
Minneapolis Honeywell Reg.	100-67	3.31	2.25	5.00	2.30	100	2.3
Owens-Illinois Glass	100-77	5.32	4.00	7.00	4.00	100	4.0
Reynolds Metals	112-51	10.15	1.00[1]	10.00	1.50[1]	107	1.4
Westinghouse Electric	76-50	4.53	2.00	5.40	2.50	74	3.3
Zenith Radio	90-63	11.44	3.00	7.50	3.00	87	3.4

[1]—Plus stock. *Stock split 2 for 1, just announced

Stocks Split Since Our Last List of "Potential Stock Splits" In The August 21st Issue

	Date of Magazine In Which Issue Appeared	Basis of Split	Current Price	Price On Mag. Date Issue Appeared (Adjusted)
Bendix Aviation	8/21/54	2–1	49[2]	41
Borg-Warner	8/21/54	3–1	35[2]	29
Goodrich, B. F.	8/21/54	2–1	58[2]	49
Sperry Corp.	8/21/54	2–1	40	37
Standard Oil of Indiana	8/21/54	2–1[1]	45[3]	39
Texas Gulf Sulphur	8/21/54	3–1	40[2]	34

1—100% stock dividend. 3—When-issued price.
2—Adjusted for split.

& Wilcox has experienced steadily expanding business and improving earnings. Earnings have averaged well above $6 a share in the last five years, allowing for the possibility of net profit this year approximating $8 a share. Such a showing appears to warrant hope of an increase in cash distributions in the not too distant future. Dividends this year and last have been supplemented by extras of 5 per cent in stock. The company is a leading supplier of heavy equipment for public utilities and industrial power producers. It has an important part in development of atomic energy plants. A 2-for-1 split was effected about four years ago and another would come as no great surprise.

BETHLEHEM STEEL: As the second largest steel producer and the largest factor in domestic shipbuilding operations, Bethlehem Steel has experienced tremendous expansion in its facilities since the war. Large sums have been ploughed back into new plants and equipment. Despite heavy accelerated amortization charges, earnings have averaged more than $10 a share in the last five years, assuming that net profit this year may range upward of $11 a share. Although distributions to stockholders have been liberalized, management would seem approaching a time when a large share of profits might reasonably be paid out.

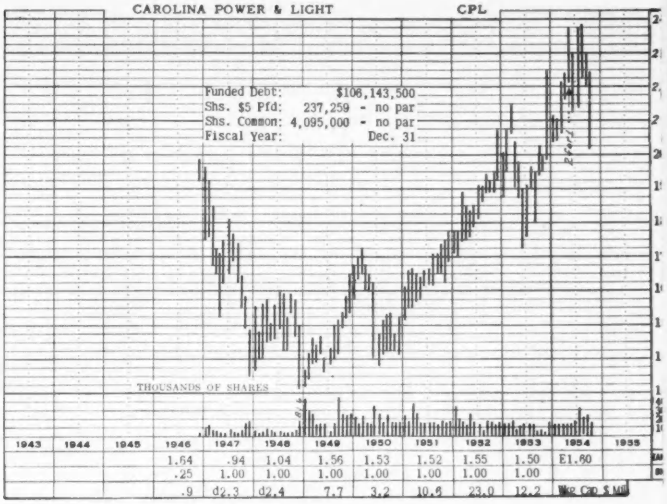
CATERPILLAR TRACTOR: A leading manufacturer of crawler-type tractors and a variety of earth-moving equipment, stands to benefit from expansion in the nation's highway construction program. Shipments have enlarged impressively in recent years in reflecting a high rate of activity in military construction and in industrial growth. In keeping pace with progress, the company's large plant in Peoria, Ill., has been virtually rebuilt since the war. Earnings have averaged between $5 and $6 a share in the last five years, while cash dividends have been restricted to a modest rate. Payments this year and last of $2 a share annually were supplemented by 4 per cent stock extras. A 2-for-1 stock split was effected in 1949. With indications pointing to continued progress, the management would seem to be warranted in considering something more liberal than a nominal stock dividend in 1955.

FIRESTONE TIRE & RUBBER: One of the major tire manufacturers, all of whom have experienced exceptionally satisfactory results in recent years, Firestone Tire & Rubber may give consideration to a stock split in the coming year. Net profit for the fiscal year ended October 31 is estimated to have ranged above $9 a share, compared with $11.77 in the preceding twelve months. Earnings have averaged between $10 and $11 a share for the last five years, while dividends have been restricted to less than $4 a share on the average. Large sums have been ploughed back into plant and equipment. With capitalization consisting of a comparatively small amount of preferred stock and fewer than 4 million shares of common, the company would seem to be a logical split candidate. Dividends in excess of $3.75 a share, the amount distributed this year, could be envisioned on basis of earnings in the $10 to $11 area in 1955.

OWENS-ILLINOIS GLASS COMPANY is recognized as the largest factor in production of glass bottles. The company manufactures a wide variety of glass containers for the food, drug, dairy and alcoholic beverage industries. Other items include television picture tubes. Sales have expanded steadily in recent years in line with the persistent rise of consumer goods industries. Earnings have averaged almost $6 a share annually for the last five years, while dividends have held at $4 a share annually in that period. Relief from excess profits taxes holds out hope for earnings this year of $7 a share or more and perhaps even better results in 1955. A larger payout of profits would seem a reasonable hope. Capitalization of only slightly more than 3 million common shares seems modest for a company with such a promising record. A stock split on a 2-for-1 basis was effected in 1937.

LEHIGH PORTLAND CEMENT: Major cement producers appear headed for another good year. The Washington Administration is expected to push proposals for enlargement of road construction expenditures. Lehigh Portland Cement, a leading producer with plants strategically placed to provide materials for major toll roads, has experienced a steady enlargement of sales. Earnings have averaged slightly more than $3 a share annually in the last five years. Net profit this year is expected to approximate $4 a share despite a serious strike last spring. Such a showing would represent a new high record and would compare with $3.32 a share in 1953. Continuation of this trend would hold out hope of an increase in the indicated $1.20 annual dividend rate paid in the last four years. A stock split on a 2-for-1 basis was effected in 1951.

MINNEAPOLIS-HONEYWELL: A high rate of residential construction and growing dependence in industry on electronic controls and equipment have combined to boost sales and earnings of Minneapolis-Honeywell Regulator. Volume this year is projected at about $230 million for a new high record, while net profit may approximate $4.40 a share, compared with $3.31 in 1953. Earnings in the last five years have averaged slightly more than $3 a share. Dividends have come to $2.25 a share in the last four years. Continuation of this year's showing would hold promise of larger distributions in 1955. In view of the modest capitalization of slightly more than 3 million shares following a funded debt of $35 million, stockholders would (*Please turn to page* 343)



5 Utilities With Marked Growth Potentials

BY OUR STAFF

Although contrasting sharply in their normally leisurely market action with fast-moving industrial stocks and, even, not a few railroad shares, the slower-moving public utility issues nevertheless continue to command solid support from serious investors who recognize their value as affording a relatively high degree of stability to portfolio holdings. While they may lack the more sensational attributes of high-flying industrial and rail shares in a rapidly advancing market, they are by no means lacking in price appreciation potentials. This is easily demonstrated by their market record of substantial, though slow, gains since the end of World War II.

While, admittedly, most utility shares lack glamor, there are among them a few that, by virtue of the geographical location of their companies, are particularly susceptible to unusually favorable economic trends in their respective regions. Because of the dynamics inherent in the long-term outlook for those particular regions which are growing more rapidly than other and, perhaps more settled parts of the country, the common stocks of public utility companies located in these regions are attracting increasing attention from far-sighted investors.

We have selected five such issues, whose companies operate in certain parts of the country which either are growing more rapidly than others or are likely to do so by virtue of new, important developments affecting those regions. Nevertheless, since the factors affecting these public utility companies are understandably of a longer, rather than shorter-term character, prospective price appreciation potentialities may take a corresponding time to develop. Hence, they are primarily suited to investors with long-term objectives, but, in any case, they should prove satisfactory holdings for almost any type of investor.

Pertinent data and individual comment on each company is appended.

CAROLINA POWER & LIGHT COMPANY

BUSINESS: An operating utility, supplying electricity to territories in North and South Carolina, an area of about 30,000 square miles with a population of approximately 2 million, a variety of agricultural activities and an increasing number of diversified industries, some of the more important being the manufacture of electric appliances, electronic components, textiles, heating equipment, and chemicals.

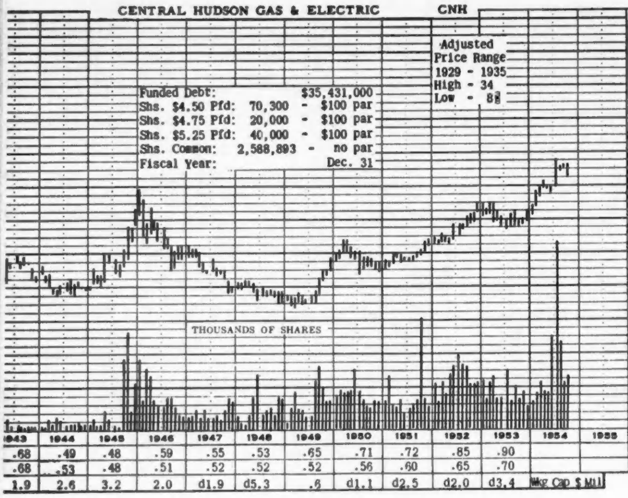
OUTLOOK: Favorable climatic and other conditions have been attracting a growing number of leading industrial companies to the area served by Carolina Power & Light. During 1953, 70 new industries or major expansions to existing industries were made in its territory. These developments came on top of the previous year's expansion by 17 new plants, a new Dacron plant for duPont deNemours, together with a $3 million research laboratory, and the $12 million Westinghouse Electric meter plant. Coupled with this industrial growth, increased payrolls and a mounting population, has been the acquisition by Carolina Power & Light of the Tide Water Power Co. in 1952 which extended its territory 8,000 square miles, embracing two deep waterports on the Atlantic Coast. The steady and rapid growth of the company is graphically shown in the uptrend in electric operating revenues which have increased from $25.7 million in 1948 to $51.4 million in 1953, an increase in six years of exactly 100%. Over the same period, net income gained 78% to $7.3 million last year, equal to $1.50 a common share after giving effect to the 2-for-1 stock split in May, 1954. The outlook is for a continuance of the earnings uptrend. Despite estimated construction expenditures of $25.6 million this year, the company found it unnecessary to do any major financing in 1954. New facilities include transmission lines, a new Wilmington plant, as well as a new generating unit at the Cape Fear plant, to meet the increased requirements of present and new customers.

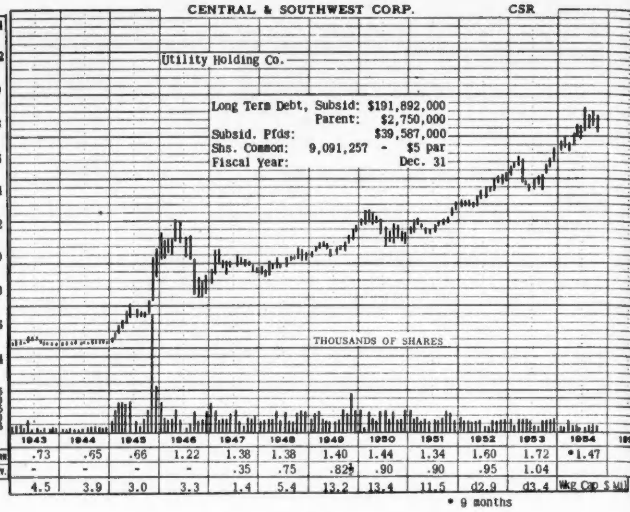
DIVIDENDS: Since the May, 1954, stock split, payments on the common stock have been 25 cents a share quarterly.

MARKET ACTION: Recent price of 22¼, compares with a 1953-54 price range of High—23⅞, Low—17¼ (adjusted). At current price, the yield is 4.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 8,980	$ 16,651	+$ 7,671
Receivables, Net	1,347	3,212	+ 1,865
Materials & Supplies	626	3,470	+ 2,844
Other Current Assets	110	201	+ 091
TOTAL CURRENT ASSETS	11,063	23,534	+ 12,471
Plant & Equipment	84,019	211,019	+ 127,000
Invest. & Funds	2,034	983	— 1,051
Other Assets	1,308	2,034	+ 726
TOTAL ASSETS	$ 98,424	$237,570	+$139,146
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 6,820	$ 11,141	+$ 4,321
Other Liabilities	1,414	1,463	+ 049
Reserve For Depreciation	11,445	32,295	+ 20,850
Other Reserves	2,840	501	— 2,339
Long Term Debt	45,080	106,595	+ 61,515
Preferred Stock	17,351	24,376	+ 7,025
Common Stock	10,000	44,221	+ 34,221
Surplus	3,474	16,978	+ 13,504
TOTAL LIABILITIES	$ 98,424	$237,570	+$139,146
WORKING CAPITAL	$ 4,243	$ 12,393	+$ 8,150
CURRENT RATIO	1.6	2.1	+ .5





CENTRAL HUDSON GAS & ELECTRIC CORP.

BUSINESS: An operating utility supplying electricity in the Central Hudson River Valley, an area of approximately 2,500 square miles beginning about 40 miles north of New York City and extending to about 10 miles south of Albany. The territory embraces a number of communities, fruit and dairy farms, as well as increasing number of commercial and diversified industrial enterprises. The company also supplies purchased natural gas to various communities within its territory.

OUTLOOK: While natural gas sales contribute approximately 14% to Central Hudson's operating revenues, and have been steadily increasing in recent years, Central Hudson is primarily an electric utility operating two steam stations and five hydro-electric plants with sufficient generating capacity to supply approximately 75% of electric requirements of regular customers. The balance is purchased principally from Consolidated Edison of New York and the Niagara Mohawk Power Corp. This is a complete reversal from a few years ago when the two latter companies were supplying 75% and more of Central Hudson's electric energy needs. The growth of the company's generating capacity is paralleled by the uninterrupted year to year increase in its electric operating revenues, expanding from $10.2 million in 1947, to $17.7 million in 1953, a gain of more than 73%. Net income over the same period has recorded a still faster growth, increasing from $1.2 million for 1947 to $2.7 million for last year, a gain of 120%, or from 63 cents a share for the 1.5 million shares of common stock outstanding in 1947, to 96 cents a share for the 2,259,642 shares outstanding at the end of 1953. On the basis of operations in the first nine months of this year, 1954 operating revenues, net income and per share earnings will establish new high records. A conservative estimate would place net for the currently outstanding common stock at slightly better than $1.00 a share. The company, incidentally, has called for redemption its 5.25% preferred stock outstanding the amount of $4 million. It is also acting in association with Niagara Mohawk Power and other companies in the proposed Niagara Power project which it is hoped will be acted upon by the 84th Congress.

DIVIDENDS: The amount of dividend payout has been on an ascending scale in recent years. The current rate is 70 cents a share annually.

MARKET ACTION: Recent price of 15, compares with a 1953-54 price range of High—15½, Low—11¼. At current price, the yield is 4.5%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1945	Sept. 30 1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Secur.	$ 4,758	$ 1,594	—$ 3,164
Receivables, Net	856	1,699	+ 843
Materials & Supplies	451	1,764	+ 1,313
Other Current Assets	124		— 124
TOTAL CURRENT ASSETS	6,189	5,057	— 1,132
Plant & Equipment	41,849	100,800	+ 58,951
Invest. & Funds	463	499	+ 036
Other Assets	1,211	2,203	+ 992
TOTAL ASSETS	$ 49,712	$108,559	+$ 58,847
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 2,967	$ 15,393	+$ 12,426
Other Liabilities	1,036	400	— 636
Reserve For Depreciation	7,878	16,029	+ 8,151
Other Reserves	721	391	— 330
Long Term Debt	15,465	35,211	+ 19,746
Preferred Stock	7,030	13,030	+ 6,000
Common Stock	13,235	25,281	+ 12,046
Surplus	1,380	2,824	+ 1,444
TOTAL LIABILITIES	$ 49,712	$108,559	+$ 58,847
WORKING CAPITAL	$ 3,222	(d) $ 10,336	—$ 13,558
CURRENT RATIO	2.0	....	— 2.0

CENTRAL & SOUTH WEST CORPORATION

BUSINESS: Operating subsidiaries of this holding company constitute the Central & South West System supplying electric service in 768 communities located in contiguous territories in Arkansas, Oklahoma, Louisiana and Texas. The area has a population of about 2.5 million, extensive agricultural activities, important oil producing and refining enterprises, and an increasing number of other industrial and commercial operations in well diversified fields.

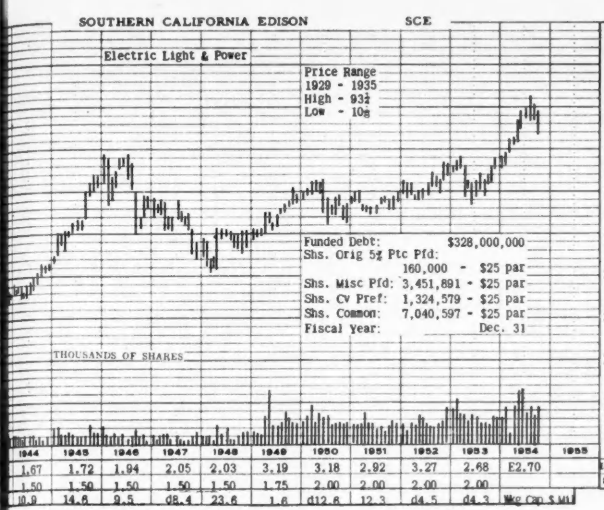
OUTLOOK: The basic industrial growth of Central & South West System territory which has been at a rapid rate in the postwar years, is reflected in the continuous expansion of the System's generating facilities and the steady uptrend in electric operating revenues that have more than doubled between the years 1946 and 1953, increasing from $43.5 million, with new highs in each subsequent year, to a peak of $94.5 million for 1953. Consolidated net income has moved up in proportion, increasing from $8.3 million for 1946, to an all-time high of $15.6 million for 1953. It is apparent that 1954 electric operating revenues and consolidated net income will surpass all previous figures. For the first nine months of this year, operating revenues from electric sales totaling $77.9 million were slightly more than $7 million ahead of the 1953 corresponding period, with net income, on a consolidated basis, expanding from $11.7 million, or $1.29 a share for the common stock last year to $13.4 million, equal to $1.47 a share for 1954's first nine months, on the basis, in both years, of the amount of common stock currently outstanding. Indications are that net income for all of 1954 will be close to $2.10 a share, as compared with $1.72 for 1953. Continued growth of the System's wide diversification of territory and customers, has necessitated steady expansion of facilities, gross additions last year exceeding $55 million, bringing the total of such expenditures in the five years to the end of 1953, to $210 million to meet the demands of new customers and increasing loads. It is estimated that between 1954 and the end of 1955, it will be necessary to expand another $115 million for additional facilities to keep pace with the territory growth.

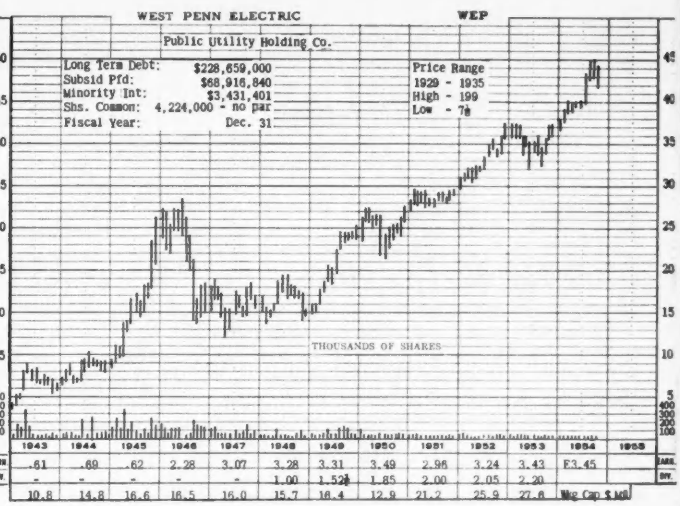
DIVIDENDS: Payments at a 25-cent quarterly rate, maintained since mid-1952, were increased to 29 cents quarterly, with the dividend paid October 30, this year.

MARKET ACTION: Recent price of 30, compares with a 1953-54 price range of High—33½, Low—18½. At current price, the yield is 4.4%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1945	Sept. 30 1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Secur.	$ 11,396	$ 33,882	+$ 33,486
Receivables, Net	4,626	9,129	+ 4,503
Materials & Supplies	2,165	5,377	+ 3,212
Other Current Assets	189	1,164	+ 975
TOTAL CURRENT ASSETS	18,376	49,552	+ 31,176
Plant & Equipment	190,771	458,902	+ 268,131
Invest. & Funds	2,151	622	— 1,529
Other Assets	8,670	5,220	— 3,450
TOTAL ASSETS	$219,968	$514,296	+$294,328
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 15,302	$ 35,764	+$ 20,462
Other Liabilities	1,165	1,964	+ 799
Reserve For Depreciation	35.354	69,868	+ 34,514
Other Reserves	2,853	1,452	— 1,401
Long Term Debt	85,522	225,720	+ 140,198
Preferred Stock	63,980	48,350	— 15,630
Common Stock	1,686	45,456	+ 43,770
Surplus	14.106	85,722	+ 71,616
TOTAL LIABILITIES	$219,968	$514,296	+$294,328
WORKING CAPITAL	$ 3,074	$ 13,788	+$ 10,714
CURRENT RATIO	1.2	1.4	+ .2





SOUTHERN CALIFORNIA EDISON CO.

BUSINESS: An operating utility supplying electric service in central and southern portions of California, an area of more than 14,000 square miles with a population of about 3.5 million. The territory includes farming and fruit growing lands much of which is watered by irrigation, diversified commerical establishments and equally well diversified industries that have been expanding activities and increasing in number.

OUTLOOK: The rate of agricultural, residential and industrial growth in the territory served is best depicted by the 91.7% increase between the years 1946 and 1953 in electric operating revenues. These revenues, last year, amounting to $140 million were 11.2% over the previous year and 40% greater than in 1949. Although the rate of growth slowed somewhat in the first nine months of 1954, as compared with the previous year, operating revenues continued to establish new high records, reaching $114.3 million in the nine months ended Sept. 30, last, for a gain of 8.5% over $105.4 million for the like 1953 period. Net income for the first nine months of the current year was equal to $2.28 a share for the common stock, compared with $2.00 a share a year ago, notwithstanding the increase of roughly 855,000 outstanding shares as part of a financing program for plant expansion which for this year amounted to almost $73 million. The bigger portion of this sum will go for steam electric generating plants, substations and distribution lines which, with other new facilities, will provide necessary increased electric output and equipment to meet growing electric demand from all classification of customers. These additions, as well as those planned for 1955, will further increase the value of electric plants which in the 10 years to the end of 1953 multiplied from $361.9 million to $768.2 million. Earnings for all of 1954 should come close to $3.00 a share for the current outstanding common stock. This estimate may prove conservative considering the benefits to accrue from the rate increase granted the company which became effective in mid-September of this year.

DIVIDENDS: Payments, maintained in each of the last 45 years, have been on a $2 annual basis since 1950. It is expected that this rate will be increased in 1955.

MARKET ACTION: Recent price of 45¼, compares with a 1953-54 price range of High—46⅜, Low—33½. At current price, the yield is 4.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Secur.	$ 32,510	$ 10,833	—$ 21,677
Receivables, Net	4,367	11,088	+ 6.721
Materials & Supplies	3,386	15,486	+ 12,100
Other Current Assets	....	11,898	+ 11,898
TOTAL CURRENT ASSETS	40,263	49,305	+ 9,042
Plant & Equipment	365,120	769,214	+ 404.094
Invest. & Funds	3,026	6,167	+ 3,141
Other Assets	18,646	9,699	— 8,947
TOTAL ASSETS	$427,055	$834,385	+$407,330
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 29,340	$ 51,843	+$ 22,503
Other Liabilities	2,161	4,740	+ 2,579
Reserve For Depreciation	85,007	138,325	+ 53,318
Other Reserves	4,021	7,523	+ 3,502
Long Term Debt	138,000	298,000	+ 160,000
Preferred Stock	85,442	123,412	+ 37,970
Common Stock	70,744	151,465	+ 80,721
Surplus	12,340	59,077	+ 46,737
TOTAL LIABILITIES	$427,055	$834,385	+$407,330
WORKING CAPITAL	$ 10,923	(d) $ 2,538	—$ 13,461
CURRENT RATIO	1.3	....	— 1.3

THE WEST PENN ELECTRIC COMPANY

BUSINESS: Subsidiaries of West Penn Electric operate a fully inter-connected group of electric properties as a single integrated system serving important sections of Maryland, West Virginia and Pennsylvania, together with smaller areas in Ohio and Virginia.

OUTLOOK: The areas served by the West Penn System cover slightly more than 29,000 square miles containing a population of just under 3 million, and important segments of such basic industries as steel, coal and chemicals, as well as a number of other industries, including glass, non-ferrous metals, cement, together with diversified commercial enterprises. The territories constitute one of the most important industrial centers of the nation, and continues to grow with the expansion of production and the influx of new industrial and commercial plants, and an increasing population. Within the eight years to the end of 1953, electric operating revenues of the System have grown from 56.7 million in 1946, to $110.7 million in 1953. The latter figure, an all-time high, is likely to be exceeded in the current year. Despite a slack in sales to the steel and coal operators during most of the period, electric operating revenues for the first nine months of $83.1 million were running slightly ahead of the 1953 corresponding period, the slack being taken up by residential sales increasing from $30.2 million to $32.6 million, and commercial sales rising from $12.9 million to $13.6 million. Combined revenues from the latter two sources accounted for 55.4%, industrial 40.9%, and "other electric operating revenues" approximately 3.2% of the total. Consolidated net income for the first nine months of this year, equal to $2.75 a share for the outstanding common stock, portend another record year for earnings with net for the 12 months likely to amount to $3.70 a share, a conservative estimate considering the upturn in steel and other industrial operations which set in during the third quarter and expected to continue at a high level through the balance of the year.

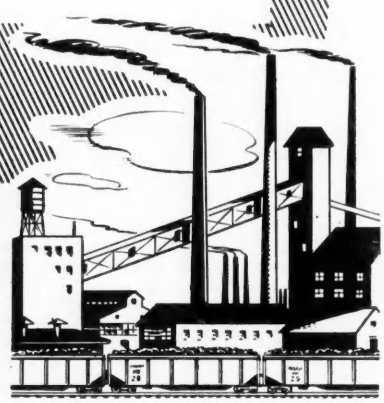
DIVIDENDS: Payments were increased in 1953 from 50 to 55 cents quarterly, and again increased to 60 cents quarterly with the payment of dividend on September 30, last.

MARKET ACTION: Recent price of 44½, compares with a 1953-54 price range of High—45⅜, Low—32. At current price, the yield is 5.3%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1945	Sept. 30 1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Secur.	$ 24,328	$ 23,934	—$ 394
Receivables, Net	6,752	12.508	+ 5,756
Materials & Supplies	3,705	12,726	+ 9,021
Other Assets	239	4.711	+ 4,472
TOTAL CURRENT ASSETS	35,024	53,879	+ 18,855
Plant & Equipment	279,893	489,148	+ 209,255
Invest. & Funds	2,308	4,691	+ 2,383
Other Assets	4,521	3,185	— 1,336
TOTAL ASSETS	$321,746	$550,903	+$229,157
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 18,347	$ 28,784	+$ 10,437
Other Liabilities	6,224	8,143	+ 1,919
Reserve For Depreciation	49,317	103,994	+ 54,677
Other Reserves	711	3,897	+ 3,186
Long Term Debt	112,258	228,439	+ 116,181
Preferred Stock	79,414	68,917	— 10,497
Common Stock	32,485	60,813	+ 28,328
Surplus	22,990	47,916	+ 24,926
TOTAL LIABILITIES	$321,746	$550,903	+$229,157
WORKING CAPITAL	$ 16,677	$ 25,095	+$ 8,418
CURRENT RATIO	1.4	1.8	+ .4

New Stock Listings in 1954



By STANLEY DEVLIN

During the current year, 12 new corporate names were added to the roster of common stocks listed on the New York Stock Exchange. These are "new" names only in the sense they represented "newcomers" to this market where buyers and sellers, whether they are located just around the corner from each other or separated by thousands of miles, can come together through brokers to convert cash into stocks or stock into cash.

From the standpoint of corporate life, these "new" names represent old corporations that have been doing business for a number of years. Some of them have been in existence for forty, fifty or more years. One of the newcomers can trace its ancestry back to about 1850. This is the Harrisburg Steel Corporation. Its common stock made its debut as a listed issue on the Exchange last September. Some of the other new listings also are old timers with long records of successful operations and sustained dividend payments.

Not every company can qualify for listing on the Exchange. To achieve this goal it is necessary for it to meet rigid requirements. It must be able to show successful management; that its shares are widely held, and that it has earned at least one million dollars in the year preceding admission. The high standards set by the Exchange explain why, so far during 1954, there have been only 12 new common stocks admitted to listing in this important market, although these, added to those of the three previous years, brings the total of new listings for the four-year period up to 95. This number undoubtedly will be increased next year and in the years to come as other companies, aspiring to have their shares listed so as to add marketability and price publicity to asset values are successful in having their listing applications approved. One such application now being examined by the Exchange is that of the Campbell Soup Co., which got its start in 1869 when Joseph Campbell began producing tomato ketchup and which in the fiscal year ended July 31, 1954, reported close to \$339 million in sales, and \$23.6 million, or \$2.39 a share in net income.

Because its application for listing has not yet been officially approved by the New York Stock Exchange we are omitting Campbell Soup Co., from the accompanying tabulation concerning the salient data on the 12 listings so far this year. These statistics are augmented by the following comment on several of the successful applicant companies:

Harrisburg Steel Corp., formed 55 years ago to succeed a business that began circa 1850, has been a pioneer and is one of the largest producers of seamless steel cylinders of various sizes for the storage and transportation of various types of gases under high pressure. Steel pipe couplings and drop-forged steel pipe flanges for petroleum, utility and industrial use, as well as alloy and carbon drop forgings for various other industries are also produced from steel manufactured by its own open hearth furnaces and processed by equipment, including a modern machine shop, steam drop-forge hammers, presses and other necessary facilities.

Two acquisitions in 1953 have not only strengthened its competitive position but given it diversified production. Through acquiring the Taylor-Wharton Iron & Steel Co., Harrisburg broadened its output of seamless steel gas cylinders and added a number of other products, including manganese steel castings, frogs, switches, crossings and special accessories for steam and electric railroads, mines and industries. The other acquisition was that of Heckett Engineering, Inc., the largest contractor specializing in the treatment and reclamation of open hearth slag for the recovery of steel which is utilized by its customers in lieu of scrap steel. Heckett is currently serving approximately 14% of the total open hearth steel capacity in North American and approximately 71% of Canadian capacity, numbering among its customers various plants of several of the largest steel producers in both countries, including U. S. Steel, Bethlehem and Republic Steel.

Both Heckett Engineering and Taylor-Wharton as wholly-owned subsidiaries have swelled Harrisburg's sales and net earnings, sales for 1953 increasing to \$21.5 million from \$17.3 million for the previous year. Net income, aided by \$401,635 nonrecurring income arising from liquidation of a subsidiary, increased by almost one million dollars, rising from \$725,221 for 1952, to \$1,745,015, equal to \$2.11 a share on the 827,860 shares of common stock then outstanding. This showing will evidently be surpassed in the current year, net income for the 9 months to Sept. 30, being equal to \$2.54 a share as compared with \$1.75 for the corresponding 1953 period.

Harrisburg Steel paid a total of \$1.50 a share in dividends on its common stock in 1954. The next regular quarterly dividend of 47½ cents a share, payable January 5, 1955, to stock of record Dec. 14, 1954, will be accompanied by a stock dividend of 10%.

Stromberg-Carlson Co., a newcomer to the Stock Exchange—its 624,993 common shares being listed only last July—evolved from a partnership that had its inception approximately 60 years ago. The history of the company is one of almost steady growth, the rate of which has been particularly rapid in recent years. Since 1946 to the close of last year, net sales have more than tripled, increasing from \$21.5 million to \$48 million for 1952, and then rising by more than \$17 million to an all-time high of \$65.2 million in 1953. Net earnings for that year also were at a record high of \$1.6 million or \$3.30 a share for the 484,551 common shares then outstanding. A considerable portion of last year's business represented products for national defense, involving, for the most part, electronic equipment. Stromberg-Carlson is also a manufacturer of telephone equipment, television and radio sets, public address systems, record players, and other sound apparatus. It owns and operates WHAM-TV a television station and WHAM radio station which also brodcasts on frequency moderation, from Rochester, N. Y. It recently expanded by acquiring the Southern Electric & Transmission Co., manufacturers of electronic telephone apparatus.

Despite the fact that one of its two large Government electronic contracts has been held up for further tests and refinements and the other slowed down for design changes, net income for the first nine months of this year has held at \$1,316,204, equal to \$2.45 a share for the 504,246 common shares outstanding at the end of that period. This compares with net income of \$1,328,391, or \$2.84 a share on 445,823 shares outstanding at the same time a year ago. The annual dividend rate on the common stock was increased last year to \$1.50 a share from \$1.00 paid in the previous year, and has been again increased with a declaration of a 40-cent quarterly dividend payable Dec. 31, 1954, to stock of record Dec. 10.

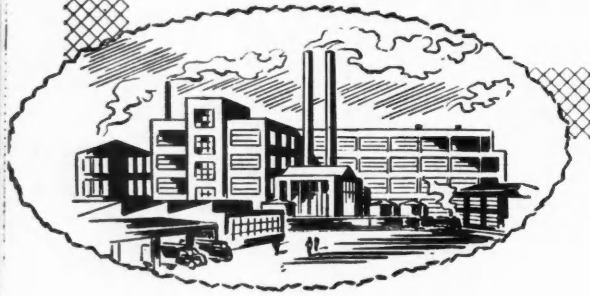
Royal Dutch Petroleum Co.'s listing of its common stock on the Exchange last July aroused considerable interest on the part of American investors who for the first time saw the Ordinary shares of this 64-year old company listed on the Exchange. Royal Dutch Petroleum is not exactly a new name in that market. Between the years 1916 and 1936, a certain amount of "American" shares, representing sub-shares of the Company's Ordinary shares were listed on the Big Board, but trading in the "American" shares (*Please turn to page* 343)

Recent Newcomers to the Stock Exchange

	Capitalization: Long Term Debt (Millions)	Capitalization: Preferred Stock (Thousand Shares)	Capitalization: Common Stock (Million Shares)	Net Working Capital (Millions)	Price When Listed	Recent Price	Indicated 1954 Div.	Div. Yield
Chance Vought Aircraft	.....	.....	1.0	\$ 13.4	22	32	\$ .80	2.5%
Dobeckmun Co.	\$ 2.2	7	.4	5.5	28⅞	31	1.40	4.5
General Contract Corp.	1.0	557	1.6	10.7	17¼	18	.90	5.0
Harrisburg Steel	3.2	.....	.8	5.4	23	28	1.50	5.3
Marquette Cement	8.5	158	.9	6.6	42	64	2.60	4.0
Oklahoma Natural Gas	55.3	335	2.5	(d) 4.7	23¼	22	1.20	5.4
Rohr Aircraft	.1	.....	.9	4.8	25	28	1.00[1]	3.5
Royal Dutch Petroleum	.....	1.5[2]	24.3[3]	236.0[4]	58⅝	70	2.10[1]	3.0
San Diego Gas & Elec.	58.0	1,000	4.0	(d) 1.8	15⅜	17	.80	4.7
Southwestern Public Service	101.0	247	4.0	(d) 4.4	28⅜	25	1.32	5.2
Stauffer Chemical	19.2	.....	2.3	27.0	33⅛	38	1.30	3.4
Stromberg-Carlson	4.6	72	.5	45.4	38⅞	40	1.50	3.7

(d)—Deficit.
[1]—Plus stock.
[2]—At 1,000 guilders par value.
[3]—Total amount to be outstanding if and when ordinary shares of various nominal values are changed into 50 guilder shares: 6 million shares, 50 guilders par allotted to N. Y. Stock Exchange are traded in dollars.
[4]—In guilders.

"Tax-Free" Dividends



By **JOHN D. C. WELDON**

Considering the closely woven net the Federal income tax law throws over the American tax payer, the problem of how to increase one's income without increasing the amount of tax that must be paid seems insurmountable.

One way of escape for investors is the purchase of Federal, state or other government division's securities. Although they are tax free these securities afford such a low income return that they are attractive mainly to individuals already in the upper income tax brackets. The average investor, however, is more concerned with putting his investment funds to work in such a way as to appreciably increase income.

For those investors it might be worth while exploring that group of corporate stocks on which wholly or partially tax-free dividends are being paid. These are stocks of certain mining companies or of companies that have been reorganized or formed as successors of coporations and through either event have come into possession of assets in the form of investments that its predecessor had acquired at a high cost. By virtue of a ruling by the Bureau of Internal Revenue, these investment assets, in certain instances, may be liquidated and if at a price under their original cost which establishes a loss in excess of current earnings, the proceeds or any part thereof may be distributed on the present company's shares in the form of dividends free of income tax. Among companies with "tax-free" or partially tax-exempt dividends are the following:

The General Precision Equipment Corp., has been paying tax-free dividends for almost 10 years. At the time it succeeded General Theatres Equipment, Inc., this company came into possession of the latter's assets, including a sizeable block of 20th Century-Fox Film Corp., shares which its predecessor had acquired at a cost considerably above the price which has since prevailed. Later, when the film conpany divested itself of its theatre properties, General Precision also became the owner of shares in the then newly formed National Theatres, Inc. Although, General Precision continues to hold its position as a leading producer of motion picture theatre equipment, it has expanded into other fields, producing industrial controls and equipment, the "Link" flight simulator, electronics, and motion picture cameras and projectors, as well as tape recorders. While earnings of General Precision were equal to $5.09 a share of common stock for 1953, and for the first nine months of this year, amounted to $4.44 a share, dividend payments on its common and preferred stocks have been exempt from income tax under a ruling by the Internal Revenue Bureau. This ruling is based on the company selling enough of its holdings in the film and theatre companies to establish a loss in an amount offsetting earnings from its own operations.

The Internal Revenue Bureau's ruling in the case of General Precision Equipment's dividend payments, as also those paid by other companies under similar conditions, in addition to being more or less complicated, are subject to change. Because of this possibility, there is always some uncertainty as to the tax-free advantages to be gained and there is no way for an investor to determine how long a time such rulings will remain (*Please turn to page* 346)

Stocks Paying Dividends Partially or Wholly Income Tax-Free

	Indicated 1954 Dividend	Amount Taxable as Income	Amt. to be applied as Capital Gain or Loss	Recent Price	Yield %
Anaconda Copper	$ 3.00	......[1]	......[1]	44½	6.7
Electric Bond & Share	1.26	(see accompanying text)			
General Precision Equip. pfd.	3.00	none	$ 3.00	100	3.0
General Precision Equip. com.	1.80	none	1.80	50¼	3.5
Great Northern Iron Ore	2.00	......[1]	......[1]	24	8.3
Lehman Corp.	2.25	$ 1.00	1.25	43	5.2
Pennroad Corp.	1.00	none	1.00	14⅞	6.7
United Corp.	.27	none	.27	5⅞	4.5
West Indies Sugar	1.00	......[1]	......[1]	20	5.0

[1]—Amounts to be determined under Internal Revenue Bureau ruling. Anaconda paid a total of $3.00 a share in 1953, 76 cents of which was income tax-free; Great Northern Iron Ore's 1953 total distribution was $2.50, 55 cents of which was not taxable as income; Of $1.00 a share paid by West Indies Sugar, last year, .936 cents was income tax-free.

The HELICOPTER —A New Field for Investors—

By PHILLIP DOBBS

Advances in the science of aerodynamics have been so rapid in the postwar era that it is difficult for those outside the aviation and aircraft fields to keep abreast of the strides being made in air transport.

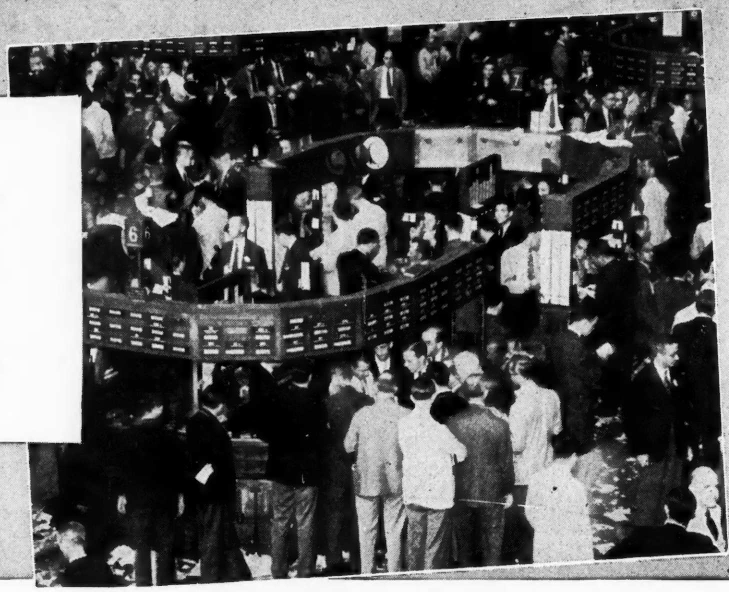
Some of the developments that have captured the imagination have been the jet engine which has made it possible for planes to break the sound barrier and the turbo-prop power plant enabling passenger planes operating regular flight schedules to fly at speeds better than 350 miles an hour, spanning the North American continent in seven to eight hours. No less spectacular, however, has been the development of the helicopter which is playing an increasingly important part as a military transport and as an assault vehicle. Basing its findings on its experience with helicopters for transport of personnel and cargo over a four-year period, the Army, in a report issued early this year stated "It can be said without a doubt that cargo helicopters have proved their military usefulness." This is only part of the helicopter's value to the Army as well as other branches of the Armed Forces. During the action in Korea, these machines proved their worth as a means of evacuating the wounded, in rescuing downed airmen and in a wide range of other duties.

The 'Copter in Civilian Life

In peaceful activities also, the helicopter is proving to be an increasingly efficient and valuable cargo and passenger transport, especially for short hops from city center to city center and, as larger craft are developed, capable of carrying commuters, now dependent upon crowded buses and trains, from suburban areas to adjacent cities. As a matter of fact, the helicopter may prove the answer to the ever growing problem of travel on the ground and it may be sooner than some think before many cities will have heliports within walking distance of hotel or business-centers where "helibuses" can land and take-off; helicopters, unlike fixed-wing aircraft need no long runways, and because they can fly at a minimum ceiling of 300 feet over open country and at 400 feet over cities, they can fly in weather that would normally force fixed-wing planes to stay on the ground. Giving impulse to rapidly increasing use of rotor-type aircraft as a means of transporting both freight and passengers is the fast growing population.

There is nothing novel in such an idea. The Sabena Belgian Airlines, for some time has been operating a fleet of four Sikorsky helicopters over a 650-mile route, offering passenger service between Brussels, London, Paris, Cologne and other cities in France and Germany. Because of the operating costs, Sabena, at least up to recently, was not making any money from this service, but it predicts that with 'copters of 40 passengers capacity now being developed for the U. S. Army, in service, it can build up substantial profits inasmuch as its "helibus" service, as it calls this operation, is attracting an increasing number of businessmen who can save as much as 2 hours and 50 minutes by taking a "helibus" instead of a train when travelling between Brussels and Cologne, (*Please turn to page* 354)

FOR PROFIT AND INCOME



Historic

Getting some not too exciting newspaper publicity thereby, the Dow-Jones industrial average made a bit of history recently by rising at long last above its 1929 high. The date was November 23, the level reached (and later bettered) was 382.74, against the 1929 pinnacle of 381.17. The achievement is less than sensational. More comprehensive and accurate indexes of industrial stock prices went into new all-time high ground many months ago. There are only 30 stocks, out of over a thousand listed issues, in the Dow industrial average. Eleven stocks now in it were not in it in 1929. Some of the 30 issues are far above their 1929 tops, some far below them. Two examples are General Motors, at about double its 1929 high; and American Tobacco at little more than half its 1929 high. The fact that "the Dow" is above its 1929 top does not by any means imply a seriously vulnerable market. Compared with 1929, we have a radically different and far sounder market, economy and credit structure. Price-earnings ratios, on average, are much lower, dividend yields much higher, stocks much more strongly held—and will continue to go their highly varying ways. So the little bit of history that the senior Dow average has made is notable principally for the record books.

Leadership

Trading volume, the increased amount of margin buying (although still moderate as judged by older standards), and growing interest in medium-grade and lower-grade stocks all indicate that the market has been getting more speculative. However, it is still more a matter of speculative stocks "joining the parade" than assuming dominant leadership. At this writing more stocks, of more types and qualities, are in active demand than in a long time. A minority of them are high-grade issues because high-grade issues are a minority of the list anyway. The proportion of high-grade issues showing strength appears to be at least equal to, if not above that, of secondary and speculative stocks. A few of many current examples are National Lead, Pittsburgh Plate Glass, Standard Oil (New Jersey), Eastman Kodak, Colgate-Palmolive, Sun Oil, American Gas & Electric, Corn Products, duPont, Scott Paper, CIT Financial, Minneapolis-Honeywell, Continental Can, Continental Oil, Corning Glass, Florida Power & Light and Sterling Drug.

Oils

After a lag of about six weeks, following its earlier advance to a new all-time high, the oil-stock group currently has again come to life and is participating actively in the market's post-election splurge. Looked at by themselves, oil stocks are very far removed from any bargain-counter level. But that is true of all stocks with a strongly favorable basic investment position. Relative to better-grade industrials generally, most oils are not out of line in terms of dividend yields and price-earnings ratios. Selected issues remain favorites of long-pull institutional buyers. The consensus in the industry is that 1955 domestic consumption

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Du Pont	Quar. Sept. 30	$1.52	$1.21
Lone Star Cement	Quar. Sept. 30	1.29	.92
American Bank Note	Quar. Sept. 30	.37	.12
Brooklyn Union Gas	9 Mos. Sept. 30	1.72	1.16
Freeport Sulphur Co.	Quar. Sept. 30	1.14	.80
International Salt	9 Mos. Sept. 30	5.53	3.25
National Gypsum	Quar. Sept. 30	1.27	.71
Procter & Gamble	Quar. Sept. 30	1.96	1.48
Reynolds (R. J.) Tobacco	Quar. Sept. 30	1.23	.86
Trans World Airlines	Quar. Sept. 30	2.13	.97

of petroleum products will rise about 4%, appreciably exceeding the indicated 1954 gain. Given normally cool heating-season weather, 1955 earnings of most companies should at least approximate, and might well moderately exceed, this year's. Emphasizing the importance of heating-season weather, a mild 1948-1949 winter resulted in rather severe inventory imbalance and cut 1949 earnings sharply. In consequence, the average decline in oil stocks from 1948 high to 1949 low was roughly 40% more than that of industrials generally. The long-term comparison is, of course, quite different. Measured from 1929 high to date, the net rise in oils is over three times that of the industrial list; while, measured from the average pre-war level 1935-1939, it is about 160% larger for oils. It is doubtful that future superiority of oils can be so great, but apparent that long-pull prospects are more assured for the oil industry than for many others.

Selection

Oil-company earnings for 1954 will be highly mixed. They will be cut considerably for some concerns importantly dependent on refining margins. Two examples are Atlantic Refining and Cities Service. They will be up for a number of crude producers, for some strongly-integrated domestic operators, and for some of the major integrated international companies. On the basis of comparative 1954 results and long-term potentials, some of the best oil stocks are Continental, Pure Oil, Shell Oil, Standard Oil of California, Standard Oil (New Jersey), Texas Company, and Union Oil of California.

Rails

Present indications are that 1955 railroad earnings will materially exceed this year's, in line with expected moderately higher industrial activity and freight traffic. Because of the leverage factor, small changes in business activity translate into considerable change, for better or worse, in rail net income. Rail stocks tend to move together to a greater extent than industrials, but there is always enough divergence to make selectivity pay off. Some more or less laggard rails with potentials for more recovery include Louisville & Nashville, Norfolk & Western (with an outstanding long-term dividend record and a current yield of over 7%) and Texas & Pacific. Others, mostly of good quality, which should fare somewhat better than the general rail market include B. & O. (speculative), Rock Island, Seaboard, Illinois Central, New York, Chicago & St. Louis (speculative and popularly known as Nickel Plate); Kansas City Southern, Southern Pacific and Southern Railway.

Rail Equipments

On a long-range comparison, the rail-equipment stock group is far behind the general market and considerably behind rail stocks. The reasons are simple. It is a business with sub-average growth, and a "prince and pauper business" – more pauper than prince under normal conditions. It prospers under war-born conditions which simultaneously give the industry heavy armament orders and stimulate railroad buying of equipment. It is, therefore, not surprising that most companies in this field have been, or are, aggressively pushing diversification. The former Pressed Steel Car Company has diversified itself entirely out of rail car building and, hence, changed its name to U. S. Industries, Inc. Pullman, although still the biggest car builder, now derives some 60% of earnings from other activities, which are thriving; and this proportion appears likely to increase as time goes on. The stock has risen from 1954 low of 40½ to 65 currently, but remains a good value on estimated record 1954 around $6.50 a share, yielding about 6.1% on an indicated $4 dividend basis. American Steel Foundries now gets over half of earning power from non-rail-equipment activities, including industrial castings, machine tools and industrial chains. Lower sales cut net to $3.05 a share for the fiscal year ended September 30, from $5.34 in the prior year, bringing a reduction in the dividend from $3 to $2. A good gain seems likely for the current year, allowing for higher industrial activity and a probable moderate rise in rail equipment buying. Around 28, yielding over 7%, the stock could be subject to some recovery during the next year or so. It sold as high as 50⅛ in 1946 on net of $2.27 a share and a $2 dividend, and reached 40 in 1951 on profit of $5.62 a share and dividends at $2.40.

Television

The radio-television-electronic stocks have recently come back into market vogue in a rather big way on speculative enthusiasm over color-TV possibilities, plus substantial improvement in sales of standard (black and white) TV sets since early Autumn. The stock are high-priced on present earnings—some decidedly so—and future profit potentials in color-TV are not too clear-cut. We would be inclined to hold positions for the time being, but not to press new buying. Three of the best issues to hold are Motorola, Sylvania and Zenith.

Textiles

Gradual improvement in the textile business is continuing, promising 1955 earnings well above the depressed 1954 levels. However, profits probably will in most cases remain much under best earlier levels. Although still well down in their long-term ranges, the stocks have had sharp percentage recoveries, tending to run ahead of betterment in earnings. As with radio-TV issues, there is more to be said for holding positions for possible additional recovery than for new buying at current levels. In our view, this

(*Please turn to page* 354)

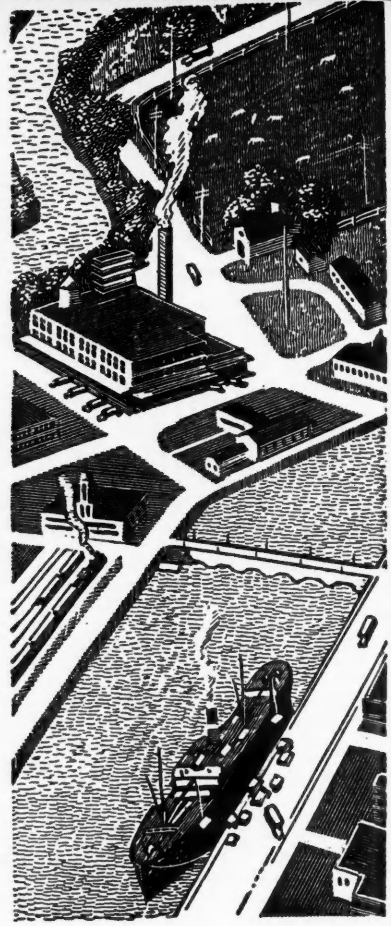
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Crane Co.	Quar. Sept. 30	$ .71	$1.15
Pfeiffer Brewing Co.	9 Mos. Sept. 30	.43	1.40
United Biscuit Co.	9 Mos. Sept. 30	.71	2.71
Yale & Towne Mfg. Co.	Quar. Sept. 30	.41	1.06
American Brake Shoe	Quar. Sept. 30	.65	1.01
Cluett, Peabody & Co.	Quar. Sept. 30	.61	.98
Harbison-Walker Refract.	Quar. Sept. 30	.66	1.44
Pitts. Coke & Chemical	Quar. Sept. 30	.15	.63
Lees (James) & Sons Co.	9 Mos. Sept. 30	1.86	2.65
Stewart-Warner Corp.	Quar. Sept. 30	.24	.77

The Business Analyst

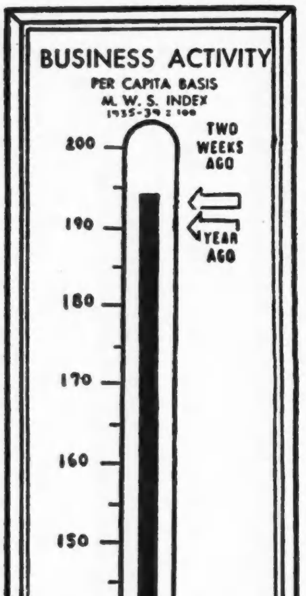
What's Ahead for Business?

By E. K. A.



Undoubtedly, the strongest single factor in the business picture is the very high and steadily rising level of construction activity. Defying all predictions and despite the moderate contraction in industrial plant expenditures, total construction spending this year will approximate $37 billion for a new all-time high, comparing with the 1953 total of $35 billion. And, further gains are expected in 1955.

The maintenance of a very high level of construction activity is of great importance to business men and investors. For one thing, it virtually assures that any general business setback that might develop, contrary to general expectations, would be no more than a comparatively minor downturn. Then, too, consideration must be given to the fact that construction draws on numerous industries for its supplies, many more today than a generation ago.



Highway construction has registered a sharp gain this year. Other public construction—such as schools, hospitals, and other facilities—is up. Crowded conditions on our highways and in our schools and hospitals, reflecting the sharp rises in the numbers of motor vehicles registered and the record population increases, warrant the belief that public construction of necessity will continue high for years to come.

A Federal program has been drafted, calling for annual expenditures for public construction running into billions of dollars, to be pulled off the shelf and put into action in the event of any serious slackening in general business activity and rise in unemployment. Also, pressure is increasing for Federal aid to States and local governments for public construction.

Commercial construction—office buildings, stores, and the like — also has registered a good gain this year. High city rents and unsatisfactory transportation facilities have influenced many organizations to transfer their offices from urban to suburban areas. And, of course, the great and still strong trek of householders to the suburbs necessitates steadily increased shopping facilities of all kinds to service them. For suburbanites do much of their shopping via automobile and will not trade in areas where ample parking facilities are not available.

Residential construction this year will show a gain of close to 16 percent. New housing starts will approximate 1,200,000, on the basis of present indications, comparing with 1,038,000 last year. This will be the largest total since the record high of 1,396,000 in 1950. The residential building boom goes on and on, despite the oft-repeated assertions of numerous economists that the decline in new family formations would dampen housing demand.

Historically, there is distinct evidence to support the building cycle theory, for residential building for many years has moved up and down in rather definite waves, The building cycle of the past, however, was a function of the construction cost/rent cycle. With the tremendous increase in home ownership as a result of new methods of financing, the cost/rent cycle has lost much of its former importance in influencing the levels of residential construction. As costs have risen, financing has been made easier.

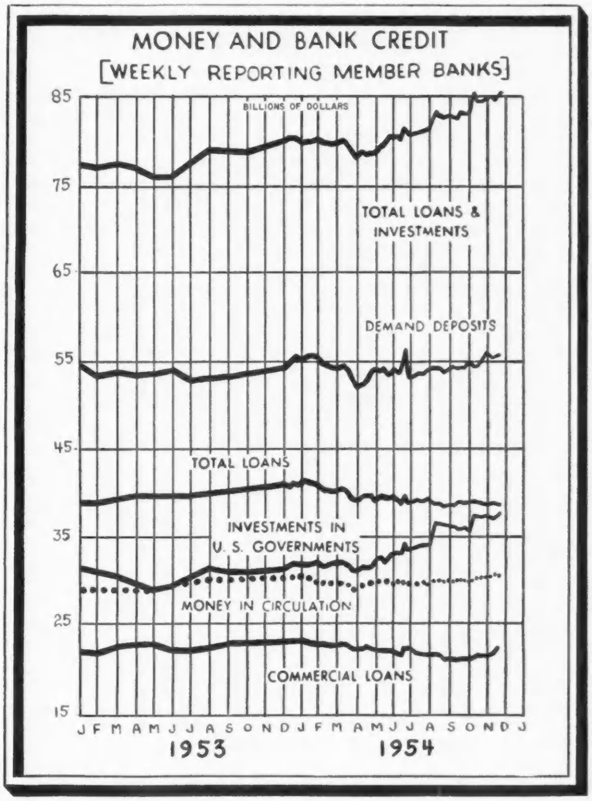
The number of children per family is increasing, reflecting high level national income, and many families are finding their quarters too small. The search for low-priced land is pushing the suburbs ever farther and farther out into the country. Styling in housing has become an important factor. With the increase in the number of electrical appliances, many homes built only a few years ago are not wired to handle the load; some homeowners, faced with the necessity and expense of rewiring their homes, are choosing instead to build or buy new homes that are adequately wired. Matters such as these seldom influenced construction much in the past, and there appears to be little doubt that we are in a "new era" so far as residential construction is concerned.

The Business Analyst
HIGHLIGHTS

MONEY & CREDIT—The Treasury's $17.3 billion refunding, second largest exchange offer of its kind on record, has been a resounding success, with 97% of the maturing issues being exchanged for new securities. The Treasury had offered holders a choice of three alternatives—a 1⅛% certificate maturing 8/15/55, a one-year 1¼% certificate, or an 8⅔ year 2½% bond. The Federal Reserve Banks held $7.0 billion worth of maturing securities, and these were turned in for new certificates. Of the remaining $10.3 billion falling due, no less than 65% accepted the new bonds and only $400 million worth are being presented for cash payment.

The good demand for the medium-term bond was something of a triumph for the Treasury which is trying to lengthen-out debt maturities as much as possible. To financial observers, the ready acceptance of a medium term issue was evidence of confidence in the future of interest rates. At the same time it reflected the need of many investors for higher income than short-term obligations could offer.

With the latest refunding under its belt, the present Administration has completed ten such operations, involving $84.7 billion in marketable securities, other than bills, plus $19.4 billion in new money borrowing. The management of this huge shift in debt has been accomplished in the main by the issuance of short and intermediate term maturities, while only $1.6 billion of long-term bonds have been sold. In the past year alone, $17 billion worth of 6 to 9 year Treasury bonds have been issued and the present refunding will add $6.7 billion to this figure. This concentration of issues in the intermediate range has kept yields in this category relatively high and has been exerting some pressure on longer-term obligations. This is one reason for the downturn in the longer issues which has seen the 3¼s of 1983-1978 and the Victory 2½s of 1972-1967 retreat some 2 points from their highs reached in August. The performance of high-grade corporate bonds has been somewhat better than this, mainly the result of the larger-than-average spread that existed this Summer between their yields and those of Treasuries. Tax-exempts have also retreated from their Summer highs, although they have been firm in recent weeks. Scheduled new offerings in this field for the next thirty days amount to only $238.2 million, but additional issues totaling some $800 million are also being groomed for market. If any large proportion of the latter are offered to investors before the year end, the resulting glut may pose a problem in absorption.



INDUSTRY—Manufacturing output has been rising in November with the auto and steel industries in the forefront of the advance. New orders have gained somewhat faster than production according to the latest report of the National Association of Purchasing Agents, which also states that inventory liquidation seems to be ending. However, the Association's report refers only to stocks of industrial purchased materials and does not indicate trends for other types of inventory. Employment in manufacturing was improving last month and there was a greater tendency towards a full 40-hour week.

TRADE—Retail sales in late November were running slightly ahead of a year ago and Dun & Bradstreet estimates that dollar volume for the week ending Wednesday, November 24, was about 1% above the corresponding 1953 period. New England and the Southwest made the best showing with a 3% gain. Gift buying and apparel demand were higher than a year ago. Housewares and furniture improved over recent levels though still under 1953 results. Auto sales were increasing although dealers are worried by competition from distributors who are offering new models under list prices.

COMMODITIES—The Bureau of Labor Statistics' comprehensive index of commodity prices was down 0.2% in the week ending November 23, to 109.5% of the 1947-1949 average. This is the year's low, reached before on several occasions, although only 0.3% under levels of November, 1953. Lower prices for farm products and processed foods accounted for the latest decrease. The former lost 1.1%, mostly the result of lower hog prices. Processed foods were down

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Sept.	3.1	3.2	4.0	1.6
Cumulative from mid-1940	Sept.	564.1	561.0	518.0	13.8
FEDERAL GROSS DEBT—$b	Nov. 22	278.8	278.8	278.7	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Nov. 17	55.7	55.6	53.7	26.1
Currency in Circulation	Nov. 24	30.4	30.2	30.7	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Sept.	57.3	67.0	55.4	16.1
344 Other Centers—$b	Sept.	95.1	97.1	94.7	29.0
PERSONAL INCOME—$b (cd2)	Sept.	287.4	285.1	287.7	102
Salaries and Wages	Sept.	196	196	199	99
Proprietors' Incomes	Sept.	49	48	49	23
Interest and Dividends	Sept.	24	24	23	10
Transfer Payments	Sept.	16	16	14	10
(INCOME FROM AGRICULTURE)	Sept.	16	15	16	3
POPULATION—m (e) (cb)	Oct.	163.2	162.9	160.4	133.8
Non-Institutional, Age 14 & Over	Oct.	116.5	116.4	115.4	101.8
Civilian Labor Force	Oct.	64.9	65.2	63.9	55.6
Armed Forces	Oct.	3.3	3.3	3.5	1.6
unemployed	Oct.	2.7	3.1	1.3	3.8
Employed	Oct.	62.1	62.1	62.6	51.8
In Agriculture	Oct.	7.2	7.5	7.1	8.0
Non-Farm	Oct.	54.9	54.6	55.5	43.2
Weekly Hours	Oct.	41.4	38.0	42.4	42.0
EMPLOYEES, Non-Farm—m (lb)	Oct.	48.6	48.5	50.2	37.5
Government	Oct.	6.8	6.7	6.7	4.8
Trade	Oct.	10.6	10.5	10.7	7.9
Factory	Oct.	12.6	12.6	13.9	11.7
Weekly Hours	Oct.	39.9	39.7	40.3	40.4
Hourly Wage (cents)	Oct.	1.81	1.81	1.79	77.3
Weekly Wage ($)	Oct.	72.22	71.86	72.14	21.33
PRICES—Wholesale (lb2)	Nov. 23	109.5	109.7	110.0	66.9
Retail (cd)	Sept.	208.2	209.0	210.3	116.2
COST OF LIVING (lb2)	Oct.	114.5	114.7	115.4	65.9
Food	Oct.	111.8	112.4	113.6	64.9
Clothing	Oct.	104.6	104.3	105.5	59.5
Rent	Oct.	129.0	128.8	126.8	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Sept.	14.2	14.2	14.0	4.7
Durable Goods	Sept.	4.8	4.8	4.9	1.1
Non-Durable Goods	Sept.	9.4	9.4	9.1	3.6
Dep't Store Sales (mrb)	Sept.	0.82	0.85	0.81	0.34
Consumer Credit, End Mo. (rb)	Sept.	28.0	27.9	28.0	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Sept.	24.2	22.6	22.6	14.6
Durable Goods	Sept.	11.3	10.0	9.7	7.1
Non-Durable Goods	Sept.	12.8	12.6	12.9	7.5
Shipments—$b (cd)—Total**	Sept.	23.7	23.5	24.1	8.3
Durable Goods	Sept.	11.0	11.0	11.3	4.1
Non-Durable Goods	Sept.	12.7	12.5	12.8	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Sept.	77.7	78.2	82.0	28.6
Manufacturers'	Sept.	43.6	43.9	47.1	16.4
Wholesalers'	Sept.	11.7	11.8	12.0	4.1
Retailers'	Sept.	22.4	22.5	22.9	8.1
Dept. Store Stocks (mrb)	Sept.	2.5	2.5	2.5	1.1
BUSINESS ACTIVITY—1—pc	Nov. 20	194.4	193.9	191.3	141.8
(M. W. S.)—1—np	Nov. 20	243.0	242.3	235.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 335)

0.6% with meats dropping 2.0%. Industrial commodities were unchanged at 114.5% of the 1947-1949 average, unchanged from a year ago. In the latest week, price increases for some textiles, crude rubber and copper scrap were offset by declines for burlap, tin, tallow and animal feeds.

* * *

Builders started 106,000 **NEW HOUSES** in October, a high record for the month, according to estimates by the Labor Department. At seasonally adjusted annual rates, the October rate of new housing starts comes out to 1,233,000 houses a year, a figure exceeded only in the housing boom of 1950 and early 1951. House-building activity got off to a relatively slow start this year but has been picking up fast since mid-year. 1,016,500 units have been started in the first ten months of 1954, which is 6% ahead of the corresponding 1953 period. The gain is confined to private building while public housing starts have slumped to 17,400 units for the year to date, from 32,000 in the January-October period of 1953.

* * *

New orders for **MACHINE TOOLS** dipped sharply in October and the index of such orders, compiled by the National Machine Tool Builders Association, fell to 148.9% of the 1945-1947 average, from 180.9% the previous month and 198.7% a year ago. Shipments were lower in October, at 190.9% of the base period versus 213.4% in September, while output also was down slightly. At current production rates it would take 3.2 months to complete all orders currently on the books, the same length of time as a month earlier. A year ago it would have taken 6.6 months to complete all unfilled orders at then-current rates of output.

* * *

BUSINESS FAILURES were higher in October as 871 firms closed their doors, versus 819 casualties the previous month. However, the rise in October failures was less than seasonal and Dun's Failure Index fell to 42 from 44 in the preceding month. A year ago this index stood at 39. Of the month's total casualties, 60% were businesses less than five years old. **LIABILITIES** of failing firms had a gratifying decline in October, amounting to $29,000,000, down from $36,381,000 the previous month and $37,076,000 a year ago.

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Oct.	125	124	132	93
Mining	Oct.	109	108	114	87
Durable Goods Mfr.	Oct.	138	136	151	88
Non-Durable Goods Mfr.	Oct.	116	115	117	89
CARLOADINGS—t—Total	Nov. 20	697	709	726	933
Misc. Freight	Nov. 20	354	355	371	379
Mdse. L. C. L.	Nov. 20	64	64	67	66
Grain	Nov. 20	59	61	48	43
ELEC. POWER Output (Kw.H.) m	Nov. 20	9,317	9,197	8,416	3,266
SOFT COAL, Prod. (st) m	Nov. 20	8.9	8.7	9.0	10.8
Cumulative from Jan. 1	Nov. 20	340.4	331.5	407.1	44.6
Stocks, End Mo.	Sept.	68.8	68.6	81.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Nov. 19	6.3	6.2	6.3	4.1
Gasoline Stocks	Nov. 19	147	148	153	86
Fuel Oil Stocks	Nov. 19	56	56	50	94
Heating Oil Stocks	Nov. 19	135	136	133	55
LUMBER, Prod.—(bd. ft.) m	Nov. 20	268	256	249	632
Stocks, End Mo. (bd. ft.) b	Sept.	9.0	8.9	8.3	7.9
STEEL INGOT PROD. (st) m	Oct.	7.7	6.8	9.5	7.0
Cumulative from Jan. 1	Oct.	71.9	64.2	95.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Nov. 25	254	302	245	94
Cumulative from Jan. 1	Nov. 25	13,039	12,784	13,515	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Nov. 20	220	248	194	165
Cigarettes, Domestic Sales—b	Aug.	34	29	35	17
Do., Cigars—m	Aug.	520	449	490	543
Do., Manufactured Tobacco (lbs.)m.	Aug.	18	14	18	28

PRESENT POSITION AND OUTLOOK

The **COST OF LIVING** has been dropping quietly since July, with another 0.2% decline in October bringing the index, which is compiled by the Bureau of Labor Statistics, to 114.5% of the 1947-1949 average, or 0.8% under a year ago. The Bureau also reports that continued weakness in food prices in November promises a further drop in the index for that month. The biggest drop in October was in costs of transportation, which fell 1.2% and were 4.3% under the corresponding 1953 month. Food was down 0.6% in October and 1.6% below a year ago. Other items under last year's levels included house furnishings, apparel and recreation. On the other hand, the cost of housing, rent, gas, electric and medical care, all are higher than a year ago.

* * *

EXPORTS from this country declined to $1,108 million in September, from $1,154 mlilion a month earlier and $1,256 million in September 1953. Part of the decline reflected a drop in military shipments under the Mutual Security Program.

IMPORTS into this country also were lower in September, at $781 million, down from $825 million the previous month and $926 million a year ago.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

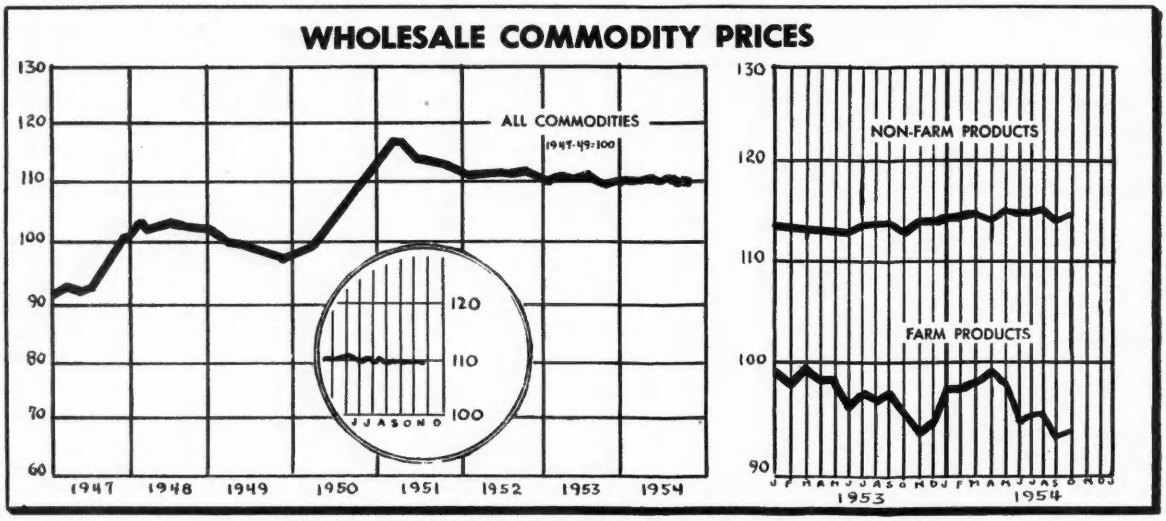
No. of Issues (1925 Cl.—100)	1954 Range High	1954 Range Low	1954 Nov. 19	1954 Nov. 26
300 COMBINED AVERAGE	263.9	192.8	259.9	263.9H
4 Agricultural Implements	257.8	189.7	256.0	257.8
10 Aircraft ('27 Cl.—100)	776.2	404.4	768.0	776.2
7 Airlines ('27 Cl.—100)	901.5	512.3	871.9	901.5H
7 Amusements	135.7	87.6	131.4	132.3
10 Automobile Accessories	283.0	241.3	280.7	276.1
10 Automobiles	43.2	38.4	40.4	40.8
3 Baking ('26 Cl.—100)	26.7	23.0	26.5	26.7
3 Business Machines	682.3	362.3	682.3	675.3
2 Bus Lines ('26 Cl.—100)	342.6	229.2	338.0	342.6H
6 Chemicals	461.6	369.3	435.8	461.6H
3 Coal Mining	12.5	9.4	12.4	12.5H
4 Communications	95.9	61.0	93.5	95.9H
9 Construction	105.3	64.0	103.5	105.3H
7 Containers	681.8	495.4	681.8	681.8
9 Copper & Brass	215.0	140.6	210.8	215.0H
2 Dairy Products	129.1	102.0	119.7	118.7
5 Department Stores	77.0	56.8	74.3	77.0H
5 Drug & Toilet Articles	308.6	239.8	302.6	308.6H
2 Finance Companies	618.1	394.8	594.2	618.1H
2 Food Brands	259.5	194.6	253.8	259.5H
2 Food Stores	151.6	130.2	143.6	146.3
3 Furnishings	68.6	61.2	68.0	67.4
4 Gold Mining	663.0	517.4	648.0	658.0

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Nov. 19	1954 Nov. 26
100 HIGH PRICED STOCKS	173.7	124.0	170.3	173.7H
100 LOW PRICED STOCKS	307.0	225.0	301.8	307.0H
4 Investment Trusts	143.3	99.5	137.5	143.3H
3 Liquor ('27 Cl.—100)	1011.5	805.8	968.6	1011.5H
11 Machinery	301.8	210.0	297.7	301.8H
3 Mail Order	156.2	110.2	149.8	156.2H
3 Meat Packing	103.7	85.7	102.8	102.0
10 Metals, Miscellaneous	323.6	215.1	321.6	323.6H
4 Paper	775.2	466.0	756.9	775.2H
24 Petroleum	565.6	412.1	537.3	565.6H
22 Public Utilities	231.3	194.4	227.4	231.3H
8 Radio & TV ('27 Cl.—100)	40.0	29.0	39.2	40.0H
8 Railroad Equipment	65.9	52.8	64.9	65.9H
20 Railroads	58.9	42.6	57.7	58.9H
3 Realty	77.3	51.0	74.7	77.3H
3 Shipbuilding	471.2	304.4	468.3	471.2H
3 Soft Drinks	433.3	380.1	395.3	410.5
11 Steel & Iron	202.6	133.8	198.7	202.6H
3 Sugar	54.2	47.3	53.7	54.2H
2 Sulphur	854.5	564.3	838.3	833.0
5 Textiles	140.8	101.3	135.7	140.8H
3 Tires & Rubber	139.8	86.3	135.5	139.8H
5 Tobacco	85.3	73.5	77.7	78.6
2 Variety Stores	303.2	274.4	303.2	297.5
16 Unclassified ('49 Cl.—100)	136.4	106.2	134.3	136.4H

H—New High for 1954.

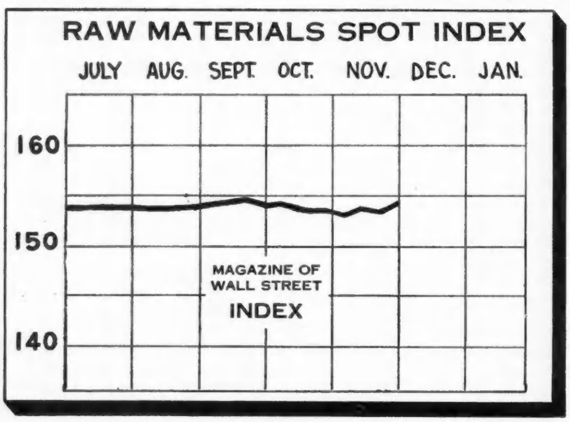
Trend of Commodities

Futures markets were generally higher in the two weeks ending November 29. The Dow-Jones Futures Index, however, gained only 0.19 points, reflecting lagging tendencies for cocoa and coffee. May wheat added 1¼ cents in the period under review, to close at 226¾. There has been a pick-up in exports recently with sales under the International Wheat Agreement expanding to 8 million bales in the week ending November 16, double the previous week, while the Commodity Credit Corporation reports sales of 5 million bushels for overseas shipment in the week ending November 12. Canada's crop may be even smaller than official reports indicate. A private forecaster estimates the harvest there at 248 million bushels, or 24 million under the last official report. Meanwhile, a U. S. Government release points out that there is a deficiency of moisture in the Southwest. This could become serious if the condition persists until the new crop goes into the dormant winter season. Corn futures have been improving and the May option gained 3¼ cents in the two weeks ending November 29 to close at 164¼. The seasonal tapering off of heavy marketings has made for a stronger situation which is buttressed by the smaller crop. Soybeans were higher in the period under review and the May option was up 8 cents to close at 291. The increase of farm livestock should help demand for soybean meal and takings of beans by foreign consumers should improve. May cotton rose 23 points in the fortnight ending November 29, with reports of higher mill activity encouraging purchasers. Entries into the Government loan have picked up recently, amounting to 201,000 bales in the week ending November 19, the highest for the season to date. However, not much cotton remains in grower's hands and loan placements should taper off soon.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

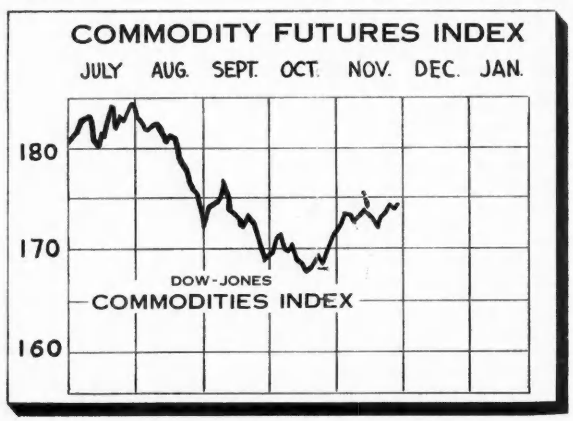
	Date Nov. 29	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.5	91.1	91.1	88.4	53.0
9 Foodstuffs	91.7	93.3	97.7	95.4	46.1
3 Raw Industrial	89.6	89.4	86.6	83.7	58.3
5 Metals	100.1	99.9	95.5	89.7	54.6
4 Textiles	85.9	84.6	87.9	86.5	56.3
4 Fats & Oils	68.7	70.4	71.6	70.0	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Columbia Broadcasting System, Inc.

"Will you please comment on recent operations of Columbia Broadcasting System, I am particularly interested in dividends and earnings."

W. C., Columbus, Ohio

Consolidated sales and earnings of Columbia Broadcasting System, Inc., for the first nine months of 1954 were the highest in its history. Net earnings per share for the first nine months of 1954 were $3.12 as compared with $2.74 for the comparable period of 1953.

At a recent meeting of the board of directors, a cash dividend of 40c per share, and a special cash dividend of 30c per share, was declared on the presently outstanding Class A and Class B shares, both payable on December 10th, 1954 to stockholders of record at the close of business on November 26th, 1954.

Believing that a substantial portion of the company's earnings should be reinvested in its business to help finance continuing rapid growth, and that stockholders should receive a tangible share of earnings, the board also declared a stock dividend of 2% on its presently outstanding Class A and Class B shares. No fractional shares will be issued in connection with the stock dividend. Instead, stockholders will receive non-voting and non-dividend bearing script certificates in bearer form and in denominations of hundreds of a share.

The stock dividends will be paid December 20th, 1954 or as soon thereafter as practicable to stockholders of record at the close of business on November 26th, 1954. Thus, dividends in 1954 will total $1.90 in cash, plus 2% in stock.

Gross sales for the first nine months of 1954 totaled $263,746,543, an 18% increase over the 1953 sales of $223,109,649, the previous record high for the company.

Earnings before Federal taxes on income amounted to $16,269,130 as compared with $14,961,343 in the 1953 period. Net earnings were $7,299,130, an increase of 14% over the $6,411,343 for the first nine months of 1953.

The figures for both years include the operations of Columbia Records, manufacturers of records and phonographs; CBS-Hytron, manufacturers of radio and television tubes; CBS-Columbia, producers of radio and television receivers; and of the two broadcasting divisions, CBS Television and CBS Radio.

Virginia Electric & Power Company

"I have subscribed to your good magazine for the past 10 years or so. Please furnish recent operating revenues of Virginia Electric & Power Company and dividend payments."

C. G., Joplin, Missouri

Virginia Electric & Power Co. is an operating utility supplying electricity in most of Virginia and in portions of North Carolina and West Virginia, covering an area of 32,000 square miles and having an estimated population of 2,350,000. It also sells natural gas to about 72,374 customers in Norfolk and Newport News, Virginia (population of about 385,000).

Principal industries in the territories served are tobacco products, shipbuilding, textiles, rayon, cellophane, food products, chemicals, paper, pulp wood and metal products, stone and clay products, nylon and trunks and bags.

Virginia Electric & Power Co. reported that operating revenues for the month of October amounted to $7,987,000 and for the twelve months ended October 31st, 1954 were $93,657,000 compared with $6,964,000 in October 1953 and $83,152,000 for the twelve months ended October 31st, 1953.

Per share earnings on the common stock amounted to 18.7c in October, 1954 and $2.27 for the twelve months then ended. This compared with per share earnings of 14.6c in October 1953 and $1.92 for the twelve months then ended on 558,946 fewer shares.

The president stated that the damage done by hurricane "Hazel" which disrupted service in a large part of the company's area on October 15th was principally due to trees falling on distribution lines. There was no damage to the company's generating plants or large sub-stations, and only minor damage was done to transmission lines. He said that present estimates of the damage indicate that the total cost of repairs will not exceed $725,000. He went on to say that October results reflect $375,000 of this cost, but that the remaining $350,000 will be provided for over the remaining two months of the year. He estimated that the total loss of revenue as a result of "Hazel" amounted to an estimated $250,000, of which approximately one half is reflected in the October results and the balance will be re-

(Please turn to page 346)

Keeping Abreast of Industrial and Company News

The Lamp Division of **General Electric Company** has just announced development of "noise-free" light bulbs for use in television broadcast and motion picture studios. The new noiseless incandescent lamps are expected to improve noticeably the audio portion of TV programs on home receivers, and of sound movies in theatres. Most people are not aware that light bulbs produce sound as well as light. On low-wattage bulbs of the type used around the house the sound is so low as to be inaudible. However, TV and movie studios require great quantities of light, and use many high wattage lamps. In these lamps the noise is considerably greater. In addition, the sound is amplified by the metal reflectors used to concentrate the light. In TV and small movie studios, the microphone boom must often be moved close to the lamps, where the noise is picked up. It reaches the ears of the listener in the form of a hum. To solve the problem, GE engineers first conducted studies to discover the source of the noise. Then they devised methods of constructing the large lamps in such a way that the noise was reduced to a point where it could not be detected by sensitive instruments even in a quiet studio.

A tubeless tire with the safety features of greatly increased resistance to blowouts and punctures was announced by the Fisk division of **United States Rubber Company.** Called the Fisk Air-borne, the new tire is priced the same as a conventional casing and tube combined. The tire has a special construction that gives it exceptional ability to retain air,—every individual cord is saturated with a heavy latex solution, and each ply of cords is coated with a bonding agent that seals off air that might travel between the plies. In addition, there is an air-tight liner made of butyl. If the tire is penetrated by an object, the liner tends to squeeze it and prevents rapid loss of air until the object is removed.

A new exterior use of colored aluminum—color impregnated into the metal by a special electrochemical process was unveiled at Cincinnati, Ohio, recently, when the **Aluminum Company of America** dedicated a gleaming, 2-story office building featuring distinctive blue and gold walls. Marking the debut of newly-developed aluminum finishes for outside use, the colored walls sheath two sides of the striking building. Their rich patina results from more than a quarter century of Alcoa research on color finishes. Alcoa is confident that the Cincinnati building, inaugurating the use of the company's architectural colors, will establish a new trend in colored aluminum facades for both large and small commercial architecture.

Parke, Davis & Company recently dedicated a multi-million dollar pharmaceutical plant at Sydney, Australia. The four-unit facility, "called the most modern and elaborately equipped pharmaceutical laboratory in the Southern Hemisphere," includes a large one-story production center, a two-story administration building, a two-story amenities block and power house. The design of the manufacturing laboratory and its production facilities enables supplies and raw materials to enter from the southern end and flow through the various departments until the finished products are shipped from the opposite side.

An experimental all-aluminum Army truck weighing 6,000 pounds less than the conventional model and utilizing a fuel injection system, hydraulic disc brakes and ball joint suspension was revealed recently by **Chrysler Corporation.** Although not scheduled for quantity production, the "idea" truck already has influenced the design of military vehicles slated for volume production. Asked by the Detroit arsenal to design a truck that would be lighter than the conventional army truck, so that it could be used for airborne operations, but would carry the same load, Chrysler came up with the T55. This, a cab-ahead-of-engine 2½-ton truck with six-wheel drive, with a body made of aluminum.

Zenith Radio Corporation has announced the most powerful hearing aid in its history at a price no higher than other models in Zenith's "T" series of tubeless, transistor instruments. The new, completely tubeless, transistor instrument identified as the Ultra-Royal T, was especially designed by Zenith to help those who suffer extremely severe hearing impairments. Persons who are able to use far more power than conventional instruments supply, will enjoy better hearing through the exceptional power of the Ultra-Royal T.

A new glass filament reinforced plastic sheeting described as the first high strength plastic ready for molding with common mass production methods was introduced this month by **Minnesota Mining & Manufacturing Company.** The new "Scotchply" brand reinforced plastic has the advantage of high strength and low weight, corrosion resistance, low tooling and molding costs, and excellent electrical properties. It is four times lighter than steel and its strength is comparable to aluminum and ordinary steel. Development of this plastic sheeting for structural use is an important step toward the realization of the industrial potential of plastics. The new product will make possible such uses as aircraft structures, automotive parts, electrical printed circuits, shipping containers, safety equipment, railroad cars, storage tanks, machine housings and hundreds of other products usually fabricated with metals and other materials. —END

At 75% Capacity—What Can Steels Earn in 1955?

(*Continued from page* 313)

earnings, without misrepresenting its position. For 1955 J. & L. should earn $4.40 a share, with amortization costs cut, and $2.80 a share on the basis of full accelerated amortization.

The other steel companies were able to curtail their normal depreciation costs moderately, but they did so in accordance with a regular schedule, and they did not offer two reports. U.S. Steel, for example, cut its depreciation charges slightly, under its traditional practice of bringing such costs down when idle facilities are not being worn out. But the rise in its accelerated amortization charges more than offset these book-keeping savings, and brought the total of depreciation and accelerated amortization for the nine months to $196 million, against $173 million in the same period of 1953.

For the next year or two accelerated amortization of Bethlehem, U.S. Steel and other large producers will stay at peak levels. Then the totals should decline, since accelerated amortization certificates cover a five-year period, and by 1956, the major steel companies should be "over the hump", since the biggest share of the investment program was put into effect in 1950, 1951 and 1952.

The steel industry now has enough capacity to take care of the long term growth in the demand for steel at least until 1958 or 1959, barring new defense emergencies. The extra capacity is being kept on a standby basis, instead of being scrapped. With this surplus capacity, the need for heavy investments will not exist, although modernization and improvement will continue.

Those who are skeptical about the growth aspects of the steel industry, should study figures since 1900 on increased steel consumption per capita. In 1929, per capital steel consumption was only 968 pounds. In 1953, the total was 1,378 per capital and there were 40 million more people than in 1929. By 1970, projecting the curve of steel consumption, it appears that per capita use will rise another seven tenths of a ton, and population will be in the neighborhood of 202 million. This will mean requirements for 175 million to 200 million tons of ingots a year, against present capacity of 124 million.

Hence both from the short range and the long range standpoint the steel outlook is inviting to investors. Earnings of companies like U.S. Steel and Bethlehem could rise $1.50 to $2 a share next year. These companies, only six or seven years ago, split their shares, along with Republic and other producers. Another round of splits now appears to be shaping up for 1955 or 1956.

Of course, uncertainties exist which could make the 1955 performance disappointing. A new wave of strikes in steel consuming plants could affect steel earnings, even if steel manages to preserve its good labor relations climate and avoids a strike. The auto industry may run into rough sledding during the dull winter months, and this could curtail buying of auto steels for a month or two.

But on balance, the favorable factors for steel producers appear to outweigh the unfavorable ones by a substantial margin, at this point. —END

Future of Radar-Guided Missiles

(*Continued from page* 321)

been produced in many varieties. Propulsion power in some is provided by a jet engine while others have rocket motors. Speeds vary considerably. The degree of control after launching runs from none at all to those which can be accurately directed at any time from ground stations.

They are used as offensive weapons in ground-to-ground versions and for defense in the ground-to-air and air-to-air models. Some experts are predicting that inside of a decade, the guidance and control mechanisms will have advanced far enough to direct the path of the robot missile with sufficient accuracy to permit complete airport to airport flight without human interference.

A Billion for Radar Installations

Radar plays an important part in this development. It is also finding use now to man defensive warning nets which will circle the country and are designed to give the alarm in event of enemy attack. The cost of these radar installations is estimated at upward of $1 billion to be spent in the next two to four years. The first experimental radar stations to be built in the far north were developed by Western Electric Co. last year about 1,200 miles from the North Pole.

Stretched across the Arctic, the northernmost warning line is to be built as a joint effort of the United States and Canada. It is known as the DEW (distant early warning) line. Further south is the mid-Canada line and along the border is the Pinetree Chain that is now in operation.

General Electric Co. is supplying much of the equipment as prime contractor with Raytheon and Sperry performing important subcontracting. *Goodyear Aircraft Co.*, a subsidiary of the giant tire company manufactures structures which hold and house the electronic equipment. GE is also supplying equipment for Atlantic and Pacific warning systems utilizing airborne stations. The powerful radar is installed in a number of Navy and Air Force aircrafts, including flying radar stations built in modified *Lockheed Aircraft Corp.* super constellations. Special provisions in the GE indicator system permit the radar's use for anti-submarine, aerological weather reconnaissance and navigational purposes in addition to aircraft detection.

Atlantic Ocean and Gulf of Mexico radar posts will be constructed on an undisclosed number of "towers" built in shallow spots. Some of these will be as much as 125 miles from shore. Each is estimated to cost approximately $750,000. The total number to be built has not been disclosed.

It is a far cry from these military installations to some civilian uses but as progress is made, more and more novel possibilities will be discovered. The medical profession has been advised that it is now possible to examine internal human organs by slipping into the system a very small radar-type device. Readings are taken off on a screen outside.

Improved efficiency of the radar instruments is aiding flying conditions by not only scanning the terrain below for navigation and obstacle clearance but also the clouds ahead to detect turbulent weather. Radars have been combined with navigation and electronic equipment by Sperry Corp.

(*Please turn to page* 343)

Rating of 200 Most Active Stocks

(*Continued from page* 307)

for the present dividend rate.

Rating–B¹

General Dynamics: Very heavy backlogs, both from defense orders for atomic submarines and from aircraft, through Canadair, Ltd. and new acquisition of Consolidated Vultee Aircraft, give this company a strong base for earnings throughout 1955 and, probably, well into 1956. Exceptional gain in earnings could permit higher cash dividend.

Rating–C²

Dow Chemical: Strong position in chemical industry with leading position in a number of highly important products. Heavy amortization charges reduce stated earnings but imposing outlook for long-range is the more important factor for investors to consider. Owing to general Stock Exchange ruling, no further stock dividends are being paid.

Rating–A¹

Raytheon Mfg.: Important manufacturer in electronics but bulk of business is military. Owing to heavy financial requirements, no cash dividend is being paid but company declared 10% stock dividend several months ago. Prospects are more promising for this company but may take several years longer to materialize more substantially.

Rating–C¹

Amer. & Foreign Power: Controlled by Electric Bond & Share, this holding company, operating in Central and South America, including Mexico and the West Indies, is entirely dependent on operations in these regions. Earnings have been in uptrend but are susceptible to foreign exchange controls.

Rating–C²

Canadian Pacific: Due to special treatment of income, part of nonrail operating income is segregated and does not appear in annual earnings. Retail revenues moderately lower but company must be regarded essentially as investment in the long-term growth of Canada, with immense oil, other mineral and many other classifications of industry represented among its holdings.

Rating–B¹

Anaconda Copper: Problems of this company complicated by labor troubles, Chilean dispute over wages and taxes but extension into aluminum and uranium fields offer considerable support for future. Due to 1954 difficulties, earnings were held back and about equalled those of 1953. The dividend seems excessive in view of narrow coverage but company's strong finances can support payments.

Rating–C²

Republic Steel: Company in a position to profit from heavy expenditures in recent years for plant and new equipment. Despite coming heavy charges for amortization, company may earn over $8 per share in 1955, based on average industry operations of 75%. Present dividend rate can be supported without difficulty.

Rating–B¹

Grumman Aircraft: As a low-cost manufacturer, this company has been able to accumulate substantial earnings on its military business, particularly naval aircraft, in which Grumman has specialized. Backlog sufficient to produce good earnings for next year and probably into 1956. Current $2 dividend, including 50-cent extra, can be paid in 1955.

Rating–C³

Sunray Oil: The company is integrated, with principal activities crude oil production. Although making progress, the company has not shown particularly marked growth characteristics. High leverage, owing to heavy senior capitalization, can distort earnings picture. Earnings slightly lower than in 1953 but present dividend can be maintained.

Rating–C²

Int'l Harvester: Although farm background has not been very helpful in past two years indications are that some improvement is in sight for the farm implement industry. Dividends, however, barely covered rendering prospects more speculative than has been the case for a long time for this important company. Nevertheless, improvement in sight warrants holding.

Rating–C²

Tidewater Assoc. Oil: Company has embarked on extensive plant program to replace, in part, some old units. West Coast holdings important for potential growth. New preferred stock offers common holders cash income, not now supplied to junior stock. Long-range program will require patience on part of stockholders for fulfilment.

Rating–C¹

Jones & Laughlin: Massive expansion program has laid basis for improved earnings position on long term basis. More efficient operations a potentially important factor. Anticipated increase in earnings next year, though moderate, can support present dividends.

Rating–C¹

United Fruit: Past difficulties, including repressive measures in Guatemala by former communist government; the strike in Honduras, and lower revenues from general cargo business, including lower banana prices, have served to depress company's earnings. Outlook, however, is now much improved with the disappearance of these factors and a more satisfactory earnings trend should be established next year. Dividends can be maintained.

Rating–B¹

Celanese Corp.: With a markedly less chaotic condition in the acetate yarn business and evidence of a slight but rather definite rise in sales, the company may be on the verge of turning the corner. Prospects are also aided by the recent introduction of its new man-made fibre "arnel." The company requires an early substantial rise in earnings to warrant current dividends but with prospects slowly improving the current rate may be maintained.

Rating–C¹

National Distillers: With moderate improvement in liquor industry and a slight upturn in earnings, it seems likely that this company may be rounding out its period of depression. Of added help, is the improvement in the chemical division. In view of these prospects, the dividend probably can be maintained.

Rating–C¹

Armour & Co.: A moderate decline in earnings for the fiscal

(*Please turn to page* 344)

Future of Radar—Guided Missiles

(*Continued from page* 341)

into a single system to take much guess-work out of flying.

The civilan market for radar is supplied principally by RCA, Bendix Aviation Corp. and Raytheon. It is highly competitive and infinitesimal compared to the volume of work which the military has ordered, yet manufacturers keenly seek these orders as the possible forerunner of future business. One recent contract which gives a clue to the potential was a $4 million radar equipment and installation contract awarded Bendix Aviation by United Air Lines. The W. L. Maxson Corp. offers navigation systems for use over land and sea which provide long-range course control, accurate terminal guidance and for mapping at high speeds and altitudes.

Companies that make the instruments which link radar to the guidance and control systems are expected to fare well, too. The Kollsman Instrument Corp., a subsidiary of Standard Coil Products Co., Inc. help supply this demand. The company makes transmitters for sending to guiding stations data such as airspeed, differential pressure and altitude. The division also makes a pressure monitor to provide control signals.

Some analysts predict that with the growth of guided missiles, a number of companies will appear that specialize in production of these units. Most now produce missiles and control equipment as a small portion of other work like aircraft or radio and electronics. Investors should pay careful attention to the development of this industry and watch for opportunities to invest in situations in the early stage of its growth. —END

Stock Split Candidates for 1955

(*Continued from page* 324)

seem to have reason for optimism.

WESTINGHOUSE ELECTRIC: Steady enlargement of demands for electric power point to continued large requirements in apparatus and transmission facilities. The strong trend toward dependence on automatic machinery also means wider industrial applications of electronic devices. Moreover, rising national income points to mounting sales of household appliances. A logical beneficiary of this trend is Westinghouse Electric. Although management is committed to a conservative course and has ploughed back large earnings in additional facilities, it is thought that a stock split would be considered when the company could feel assured of maintenance of earnings justifying such a step. Profits have averaged about $4.50 a share annually for the last five years. An increase in distributions to stockholders seems possible next year. —END

New Stock Listings in 1954

(*Continued from page* 329)

was suspended in May of that year.

Royal Dutch, through its subsidiaries or "Group companies" as they are called, operates in practically every country of the world with the exception of the U.S.S.R. Its production and purchase in 1953 of crude oil and natural gasoline totaled 718.1 million barrels. Of this amount approximately 114.8 million barrels were produced in the United States by the Shell Oil Co., and processed in that company's refineries located in California, Illinois, Texas and Louisiana. Other production was derived from acreages in Canada, South America, The Netherlands, Western Germany, the Middle and the Far East. Some idea of the scope of operations can be had from the fact that at the end of 1953, the refineries of the group companies had a crude oil distilling capacity of close to 610 million barrels, and a cracking and reforming capacity of about 240 million barrels per annum.

Net income of the group companies in 1953 totaled 130,413,373 English pounds. Figuring $2.80 to the pound, this sum is the equivalent of $365.1 million. Royal Dutch Petroleum's net income available for Ordinary shares on the basis of 50 Guilders par value per share amounted to 161,514,940 Netherlands Guilders. This was equal to N. fl. 7.97 per share. Calculating one N. fl. guilder to be worth 26.3 cents, Ordinary share earnings (50 Guilders par) would amount to approximately $2.09 a share.

Giving effect to the 20 per cent stock dividend paid in 1954, total cash payments on the Ordinary shares this year amounts to $1.75 a share.

Stauffer Chemical Co., considering it began business about 69 years ago is a venerable organization. From a small beginning, Stauffer, incorporated originally in 1895, had by that time expanded as a manufacturer of sulphuric acid, salt cake, muriatic, nitric and boric acids. It continued to grow over the intervening years, acquiring other chemical companies through mergers and substantial interests in 10 others, some of which are 50 per cent owned. Together with its subsidiaries, Stauffer is now a producer of basic heavy chemicals for industry and agriculture and is operating 39 plants in 18 states.

Its net sales last year amounted to $76.6 million. Net income of $5.4 million was equal to $2.31 a share for the 2,350,240 shares of outstanding common stock. Indications are that 1954 net sales will establish a new high record, surpassing the best previous year of 1951 in which sales totaled $78.2 million. This estimate is based on 1954's first nine months' volume of $64.1 million, presaging full 12 months' total around $83 million and net income equal to approximately $2.60 a share for the common stock. There is no preferred.

Until last year, the company was closely held, the common stock being made available to the public in September, 1953. Since its listing on the Exchange, the issue has advanced from a low of 24⅞ to a high this year of 42¾. At current price of 38, the stock, on an annual dividend basis of $1.30 a share yields 3.5%.

Chance Vought Aircraft, Inc., a new name among common stocks on the Stock Exchange has a history going back 37 years when it originated as the Lewis & Vought Corp., and which as the Chance Vought Corp., was aquired by United Aircraft, operating as a division of the latter organization up to the beginning of 1954 when the present Chance Vought Aircraft company was formed to operate independently of United. A short time later all of the shares of the new organization was distributed pro rata to

(*Please turn to page* 346)

Rating of 200 Most Active Stocks

(*Continued from page* 342)

year ended Oct. 31, 1954 will probably be recorded. Thus far, not much stimulus to earnings has been afforded through non-food products, such as chemicals and pharmaceuticals. The speculative meat-packing industry still seems faced with problems which prevent stable earnings.

Rating–D^4

Twentieth Century-Fox: As with most of the other important movie producers, this company has been registering substantial earnings gains. CinemaScope has been of the greatest value in attracting attendance. Better control over operating costs has been an important factor. In view of recovery in earnings, present dividend can be maintained.

Rating–C^1

Sinclair Oil: Company shifting into more profitable units of sales which is part of an extensive long-range program. Capital outlays for 1954 were probably in excess of $125 million. Earnings were ahead of 1953 this year and will probably increase moderately in 1955. While a higher dividend would be warranted, financing needs may serve to postpone such action.

Rating–B^1

Armco Steel: Despite continued heavy amortization charges, company will probably exceed 1954's earnings by substantial margin in 1955. Installation of new facilities and strategic location of plants of decided value to this integrated company. Higher dividends possible.

Rating–B^1

Youngstown Sheet & Tube: Resumption of high earning power in sight for 1955. Merger with Bethlehem temporarily blocked on Attorney-General's action. If merger should go through, effect on stock could be considerable. In the meantime, the dividend can be maintained without difficulty on the basis of the outlook for operations.

Rating–B^2

American Tobacco: Slight increase in 1954 earnings, despite minor decrease in sales. This was facilitated through lower taxes, especially the disappearance of the excess profits tax. Company maintaining competitive position through introduction of filter-type cigarettes. Dividend appears in secure position.

Rating–B^2

Greyhound Corp.: While this company is the largest bus operator in the United States, it has been confronted with high labor costs; depreciation costs are also heavy. To improve the situation, the company has been making important acquisitions, improving its operating position. Earnings coverage over dividends, however has been narrow.

Rating–C^4

Burlington Mills: Pick-up in business since end of summer, presages an early increase in earnings. Stronger base afforded through acquisition of Goodall-Sanford and Pacific Mills. Present modest dividend well covered.

Rating–C^1

Amer. Broadcasting: Conflicting trends in the three main divisions –radio, telecasting and movie theatre chain–give a mixed aspect to results from total operations. 1954's earnings well below 1953 and dividend covered by too slight a margin to be secure unless there is an early reversal in earnings trend.

Rating–C^4

Amer. Cyanamid: Although earnings this year are probably slightly lower than in 1953, this is of far less importance than the company's steady progress in new product development, a field in which it is one of the leaders. Drug and pharmaceutical divisions still affected by overcapacity in this industry generally but this situation is expected to stabilize. Dividend maintenance is not in question.

Rating–A^1

Gulf Oil Co.: Effective handling of return of Iranian oil to world markets has removed uncertainties with respect to U. S. companies receiving bulk share of profits from near-east properties. This is important to Gulf which is one of the two biggest U. S. companies in world production. Highly integrated operations and highly efficient management make this one of the leading oil issues.

Rating–A^1

Northern Pacific: Main attraction here is the potentiality from higher earnings from non-rail holdings, with particular interest in extensive oil properties but the latter rather of long-term significance. Earnings this year held up comparatively well and dividend can be maintained.

Rating–C^1

Mack Trucks: Poor record in recent years but special developments have affected price of stock. Among these have been reports of possible acquisition by White Motors which proved abortive; and actual acquisition of part of the outstanding stock by Northeast Capital. Fundamental outlook, however, remains uncertain.

Rating–D^4

Remington Rand: Impressive progress in development of new electronic computer have widened long-term base of earnings. Management capable and company in sound financial position to undertake new research and development. Recent gain in sales auger satisfactory earnings for fiscal year ending March 31, 1955.

Rating–C^1

U. S. Rubber: While sales are down about 7%, net earnings have held to 1953 levels owing to expiration of excess profits tax. Development of foam rubber products significant for long-term trends. Chemical products also increasingly important. With earnings established around $5 a share, regular $2 dividend appears secure.

Rating–B^1

Southern Co.: Holding company controlling public utilities in increasingly dynamic southern states. Steady gain in earnings in recent years likely to be maintained in view of marked growth aspects of territory served by subsidiaries. Moderate dividend could be increased.

Rating–B^1

Union Oil of Calif.: Well-integrated petroleum company with important position in West Coast holdings, in addition to other valuable properties in other regions. Development featured by marked increase in crude oil reserves. Cash earnings estimated at well over double indicated rate of around $5.25 a share for 1954. Dividends conservative.

Rating–B^1

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New Stock Listings in 1954

(*Continued from page* 343)

holders of United common. As a division of the latter company, Chance Vought had aquired an outstanding reputation as a builder of aircraft, winning in 1953 an industry-wide design competition for a new Navy day fighter. This award further enhanced its position which had already been achieved through the manufacture of the Chance Vought twin-jet F7U-33 "Cutlass" carrier-based fighter plane, and its production of the "Regulus" guided missile. As of Sept. 30, 1954, its backlog of unfilled orders, including letters of intent, approximated $248 million. Net sales for the first nine months of the current year totaled $111.6 million, producing net income of slightly more than $5.1 million, or $4.77 a share for 1,079,619 outstanding shares of common stock. There is no funded debt, and although there is an authorized issue of 200,000 shares of $50 par preferred none of this stock is presently outstanding.

An initial dividend of 40 cents was paid on the shares last September, followed by a similar distribution due Dec. 15, indicating an annual rate of $1.60 a share which could be raised in view of indicated 1955 earnings of better than $6 a share. Since admitted to trading the stock has ranged between a low of 22 and a high of 38⅜. Is is currently selling at 32¼, to yield 4.9%. —END

"Tax-Free" Dividends

(*Continued from page* 330)

in force.

Other companies paying wholly or partially tax free dividends at the present time are the *United Corp., Electric Bond & Share Co., Great Northern Iron Ore,* and *Anaconda Copper Mining Co.,* together with several investment trust companies, a portion of whose annual dividends are subject to normal income tax and the balance requiring treatment as capital gains. United Corp., has been paying wholly tax exempt cash dividends for several years. Its 1953 payout amounting to 24 cents a share, has been followed by distributions this year totaling 27 cents a share all of which is tax free in the opinion of counsel, subjects, of course to the Internal Revenue Bureau's ruling which will be made after the first of the new year. The company believes that the Bureau will make no change in its ruling covering 1954 payout nor those which the company may make for the next several years.

Electric Bond & Share, continuing its process of divesting itself of certain of its holdings, again this year as last, has distributed part of its holdings in United Gas Corp., to its stockholders. The 1954 distribution amounted to a total of four shares of United Gas Corp., stock for every 100 shares of Electric Bond & Share owned. While the receipt of these shares did not result in taxable income, the tax cost basis of the Bond & Share stock with respect to which the dividend was paid must be apportioned, under the Internal Revenue Code and Regulations, between the Bond & Share stock and the United Gas stock so distributed on the basis of the fair market value of each on the date of distribution as a dividend, thus establishing the amount of capital gain or loss for Federal income tax purposes.

Several mining companies also make a practice, when distributing dividends, of designating part of a payment as representing return of capital based on depletion of ore reserves. Anaconda Copper, for instance, paid a total of $3.00 a share in 1953. Of this total, 76 cents a share, on the basis of ore depletion, was non-taxable for Federal income tax purposes. Indications are that the 1954 total payout will again be $3.00 a share, but what portion will be non-taxable will not be determined until a final audit of this year's operations. The amount of dividend in 1952 that was non-taxable was $1.30 a share, so it will be seen that the non-taxable portion of total dividends will vary from one year to the next. Great Northern Iron Ore, usually liberal in its dividend policies, paid out $2.50 a share in 1953, and of this total approximately 49.15 cents was non-taxable, representing return of capital as a result of ore depletion.

There are other media affording investors tax advantages, particularly the shares of certain types of investment trusts which under the Federal Investment Company Act are permitted to designate what portion of dividend payments is from income from interest and dividends on its holdings and what amount represents profits from securities dealings. Recipients of these dividends are required, of course, to pay an income tax on the amount designated as being charged to earnings while that representing profits from the sale of securities is subject only to the capital gains tax if and when the shares of the investment trust are sold. Among the more prominent companies in this group is the *Lehman Corp.*, with a long record of sustained dividend payments, its distributions this year amounting to $2.25 a share. Of this amount $1 is subject to the Federal income tax, and the balance of $1.25 to be treated as a "capital gain."

The accompanying table lists a number of issues on which dividend payments are either tax exempt or part of which are free of such tax, being subject only to the capital gains tax. As has been pointed out, the amounts in each instance may vary from year to year due, in some cases, to nonrecurring developments or conditions that may exist in one year and not in another. These are uncertainties, but nevertheless, it would be worth while for the investor, seeking some relief from income taxes, to weigh the tax advantages some of these issues offer under present circumstance and at prevailing market prices. —END

Answers to Inquiries

(*Continued from page* 339)

flected in the November earnings.

Dividend payments this year total $1.40 per share, the same as paid in 1953. Stockholders of record November 23 received rights to subscribe to 600,000 additional shares at $29.00 a share on basis of one new share for each ten shares held. The approximate 18 million to be received is to be used by the company for new construction.

Greyhound Corporation

"Enclosed is my check for $20.00 to cover renewal of subscription to your magazine. In accordance with your offer I am also to receive your book, 'The Way To Investment Opportunity In The New Age.' As I am interested in good income from investments, please furnish recent earnings of Greyhound Corp. and indicate dividend coverage."

P. J., Nashville, Tenn.

(*Please turn to page* 348)

Answers to Inquiries

(*Continued from page* 346)

Greyhound Corporation and subsidiaries operates the nation's largest inter-state bus system. Lines extend throughout the United States and the more populated areas of Canada. Stock ownership in certain operating subsidiaries are shared with a number of railroads.

Coverage of the $1.00 annual dividend has been rather narrow in recent years with $1.27 per share earned in 1953 against $1.26 in 1952. However, earnings for the most recent nine months period showed a moderate improvement.

Consolidated net income of the Greyhound Corp. for the nine months ended September 30th, 1954 was $11,941,038 after all charges and taxes, equivalent after preferred dividends to $1.10 a share on 10,600,367 shares of common stock outstanding. This compares with net income of $11,193,841 for the corresponding period of last year, equivalent on the same basis to $1.04 a share.

For the three months ended September 30th, 1954, consolidated net income amounted to $8,069,118, equivalent to 75c a common share, compared with $5,972,576 and 56c a common share for the same period of last year.

Earnings for the September quarter reflect adjustment taxes for the nine months period resulting from the new provisions of the 1954 Revenue Code.

Operating revenues for the September quarter, were 5% below those of the preceding year. Bus miles operated, however, were reduced by 6.5%. This improvement indicates the effective control that has been maintained over both operating miles and expenses.

The acquisition effective May 1st, 1954 of the large minority holdings of equity shares in Pacific and Pennsylvania Greyhound lines has added approximately 11c a share to Greyhound's nine months earnings.

Total operating revenues of $172,683,151 for the nine months compare with $187,715,355 for the same months of last year, a decrease of 8.0%. Bus miles operated for the period totaled 386,922,394, compared with 418,909,765 for the first nine months of last year, a decrease of 7.6%.

Operating expenses per bus mile for the nine months period amounted to 38.2c against 37.3c a year ago, an increase of nine-tenths of a cent.

At present, there are approximately 100 Scenicruiser buses in operation in regularly scheduled service between metropolitan centers. This number is not large enough to have an appreciable effect on total revenues, but revenue per bus mile for the new Scenicruisers thus far has been substantially higher than the revenues of buses replaced by the Scenicruisers. The company plans to have 500 of these Scenicruisers in operation in 1955.

The results for the nine months ended September 30th, 1954 are subject to audit and to any necessary year-end adjustments relating to reserves, inventories, etc.

Philco Corporation

"I am a subscriber of your magazine and have been for a good many years. I would appreciate your advice on Philco Corp. as to whether the stock warrants retention for the long-term."

J. A., Schenectady, New York

Philco Corp. is one of the largest manufacturers of TV sets, including color, and a wide range of electrical products; it is an aggressive merchandiser and distributes air conditioners made by others. Sales have shown growth in recent years, particularly in the years 1951 to 1953, but fluctuating defense business and competition in consumer lines have made net earnings rather volatile, although in a generally upward trend. Management is experienced and progressive and retention for the long-term is recommended as a businessman's investment.

Sales of Philco Corp. in the first nine months of 1954 totaled $249,726,000, and net income was $2,275,000 or 53c per share of common stock on the 3,771,850 shares now outstanding. The lower level of sales and earnings as compared with last year was due principally to the strike which closed the company's electronics plant for 45 days in May and June and the resulting late start on production of the Fall television and radio line.

In the first nine months of 1953, sales totaled $335,171,000 and net income from operations was $10,135,000, or $2.61 per share. In addition, non-recurring income from the sale of television station WPTZ amounted, after taxes, to $5,283,000, or $1.40 per share.

In the third quarter of 1954, due to the late start on television production, sales were $75,050,000. After absorbing starting costs on the initial production of the new television and radio lines, net income for the third quarter, after tax adjustments, amounted to $540,000, or 12c per common share. Television production got under way in August and increased steadily through September, to reach a high level early in the fourth quarter. Sales in the third quarter last year were $96,649,000, and net income was $3,202,000, or 82c per common share.

Although company started production of its new 1955 television line much later than usual, due to the special circumstances which prevailed this year, the factory organization has achieved one of the greatest production records in the history of the company. Television production and shipments are now at high levels and demand for Philco's new radio and phonograph line is also good. The indications are, therefore, that the last quarter will be a satisfactory one as regards both volume and profits.

The company is continuing its extensive research and development programs on both color television and transistors, and the progress to date is most encouraging. Philco has a leading position in both these fields with their great commercial possibilities in the next few years.

Philco has recently licensed the General Electric Company, the Westinghouse Electric Corp., Sylvania Electric Products, Inc., and Avco Mfg. Company to use the Philco single-gun color tube and Philco color television system.

The company has also entered into a broad cross-licensing agreement in a number of electronic fields with the Western Electric Company, including the patents of the Bell Telephone Laboratories and American Telephone & Telegraph Company.

The company's work on printed circuits is rapidly progressing, and one plant is already concentrating on this type of production.

Philco has also developed machinery for the semi-automatic production of its "Surface-Barrier" transistor and is turning out a substantial quantity of these devices. The further refinement of this equipment will make possible the mass production of the "Surface-Barrier" transistor so that it will become available in large

volume and at relatively low prices for use both in military and civilian electronic equipment.

Dividends in 1953 were $1.60 plus 5% in stock. Forty cents quarterly has been paid this year.

Daystrom, Inc.

"My wife gave me a year's subscription to The Magazine of Wall Street beginning December 1st. I am taking advantage of your personal consultation service and my first inquiry is on Daystrom, Inc. Please tell me the principal industries in which the company operates and also give recent earnings and other pertinent data."

C. L., Miami Beach, Fla.

Daystrom, Inc. and its wholly-owned subsidiaries operates in three major industries—printing, furniture and electronics. American Type Founders, Inc., the principal subsidiary, is a supplier of graphic arts equipment and supplies for printing firms.

Defense orders include production of 76 millimeter tank guns, automatic gun loading mechanisms, electronic gun-fire control units, bomb sites, anti-aircraft fuse setters, magnetic and film recorders, and radar tuner assemblies.

Results of a corporate-wide cost reduction program plus continued good sales volume enabled Daystron, Inc. to achieve its best six months earnings record since 1950.

Net profit after taxes for the six months ended September 30th, 1954 was $757,813, or $1.17 per share, despite accelerated amortization charges. For the comparable period of last year, net earnings were $448,475, equal to 78c per share.

Daystrom introduced several new and improved products recently. Its printing equipment subsidiary has marketed a new water control device for offset presses which has had good reception. The instrument division has introduced four electronic instruments for use in the atomic energy field. The 1955 Daystrom dinette furniture line is being extended, styled and priced to reach a wider group of consumers. Furniture sales for the six month period were good according to the company.

The company's backlog of defense business was $33 million and some of this work extends into the 1955-56 fiscal year. Many contracts will be completed in the latter part of this fiscal year. To utilize available plant space, the company is adding commercial products and negotiating for new defense work, and for sub-contract work from other manufacturers.

Daystrom has also entered the guided missile field with the purchase recently of American Gyro Corp., Santa Monica, California. While American Gyro is relatively small, Daystrom thinks it has excellent growth potential. American Gyro's research engineers have perfected a new type gyroscope designed to withstand the stresses, shocks and temperature changes peculiar to guided missiles. This acquisition will deepen Daystrom's penetration into fields allied with electronics.

The 25c quarterly dividend yields a satisfactory income return.

U. S. Plywood Corp.

"After a trial subscription to your magazine for one year, I have recently renewed as I have found your publication very helpful in planning my investment program. I would appreciate receiving late data on U. S. Plywood Corp."

B. E., New Orleans, La.

United States Plywood Corp. and its subsidiaries are completely
(*Please turn to page 350*)

Answers to Inquiries

(*Continued from page* 349)

integrated in the plywood industry, with softwood production on the West Coast, northern hardwood production in Wisconsin, southern hardwood output in South Carolina and combined warehouse and sales offices throughout the country. The company operates 26 manufacturing and processing plants located strategically in relation to sources of raw material.

U. S. Plywood will soon own 100% of the stock of U. S.-Mengel Plywood Inc., a sales organization marketing products manufactured by them and others. Company and the Mengel Company also own jointly a two-third stock interest and 50% voting power in Kalistron, Inc., manufacturer of decorative vinyl plastic sheeting used for upholstery, wallcoverings, luggage, etc.

U. S. Plywood Corp. reports that its net profit for the six months ended October 31st, 1954, including its equity in earnings of companies not consolidated, amounted to $2,853,700 after estimated income taxes of $2,362,500. The company's entire West Coast manufacturing operations were shut down by strike from 2½ to 3 months during this period. The net profit was equal, after preferred dividends, to $1.62 per share on 1,639,804 common shares outstanding. This compared with net profit in the same six months of 1953 of $2,800,500 after $2,100,400 income taxes, or $1.59 per share on 1,629,000 common shares.

Net profit for the six months ended October 31st, 1954, exclusive of unconsolidated equities, was $2,652,100, after $2,121,100 income taxes. The net profit was equal to $1.49 per common share and compared with $2,695,700, after $1,955,500 income taxes, or $1.53 per share in the corresponding six months of 1953.

Net profit for the three months ended October 31st, 1954, including equity in earnings of companies not consolidated, was $1,693,600, after estimated income taxes of $1,444,600. The net profit was equal to 97c per common share and compared with $1,267,100, after income taxes of $907,800, or 71c per share in the corresponding quarter of 1953.

Net profit for the three months ended October 31st, 1954, exclusive of unconsolidated equities, was $1,568,900 after $1,289,800 income taxes. The net profit was equal to 89c per common share and compared with net profit of $1,237,100 after $847,500 income taxes, or 70c per share in the October quarter of 1953.

Consolidated sales for the three months ended October 31st, 1954 were $32,370,000 compared with $31,967,000 in the corresponding quarter of 1953.

The 35c quarterly dividend appears secure and the strong uptrend in plywood consumption and emphasis on development of new products favor further sales gains, which should be translated into better profits. —END

Rating of 200 Most Active Stocks

(*Continued from page* 344)

RKO Theatres: Although earnings have recently improved due to increased installation of facilities for CinemaScope and better attendance on new releases, company's record is not impressive. Dividend payments appear doubtful. *Rating—D*^{4}

Alleghany Corp.: With further concentration contemplated in new additions to railroad stock portfolio and control over Investors Diversified Services, long-range growth of asset value envisaged but the rate of growth will probably be much slower than in the past owing to higher prices paid for new acquisitions. *Rating—C*^{4}

Merck & Co.: This important drug manufacturer, as with others affected by upset in antibiotic prices and over-production generally. Basic position in industry very strong and present difficulties should be surmounted over a long-range period. The Sharpe & Dohme merger has not had sufficient time yet to produce the expected favorable results. While earnings have not shown substantial recovery from 1952-53 slump, dividends can be maintained. *Rating—B*^{1}

American Viscose: Due to extreme competition in rayon, viscose textile yarns and cellophane, company's sales have fallen but improvement in cellophane and in textiles in sight seems to indicate some basis for recovery in earnings. Dividend just about covered but probably can be maintained in view of strong finances. *Rating—C*^{3}

N. Y. Shipbuilding: Prospects for naval building improved but commercial construction is still facing uncertain outlook. Announcement of plans for merger of this company together with Devoe & Raynolds and Tennessee Products & Chemical into Wolfson-controlled Merritt-Chapman & Scott has afforded basis for recent speculative activity. Without merger, prospects seem uninviting. *Rating—C*^{4}

Climax Molybdenum: Sales largely supported by long-term govern-

ment contracts for molybdenum of which this company is principal producer. Development expenses largely written off and earnings should be sustained around current levels. Generous dividend paid.

Rating–C^3

Baldwin-Lima-Hamilton: This diesel locomotive manufacturer has been experiencing a decline in orders; also lower defense business. Although other machinery branches offer some promise, general outlook for company does not appear favorable at this time. Dividend insecure.

Rating–D^4

Woolworth (F. W.): The company is now in sight of being able to secure a more favorable operating margin than in recent years. This will be aided by opening of new stores and general modernization program. In view of the high cost of labor, however, earnings progress is likely to be moderate. Dividend now covered by moderately higher margin and is secure.

Rating–B^2

Schenley Industries: As with other American companies engaged in distilling, profit margins have been lower. Liquor sales are improved as against beer and wine. Elimination of the raised excise tax put into effect during the Korean war would help. The reduced dividend is just about being covered. In view of depressed market price, however stock may be held pending future recovery.

Rating–C^2

Continental Motors: Generally improved prospects for the auto parts business principally, and, also, some betterment expected in sales of combustion engines. Defense orders are holding up. Earnings in 1955 should come close to approximating 1954. Dividend earned by fair margin.

Rating–C^2

United Aircraft: Defense order backlog maintained and outlook considerably strengthened as J-57 jet engines to power giant B-25 bomber come off the line. Also company's outstanding position in helicopter manufacture offers good long-term outlook. Earnings at high level, should be maintained in 1955 and probably another distribution in stock can be expected sometime next year.

Rating–C^3

Southern Railway: Benefiting from its exceptionally strong strategic position in the South. While earnings are down moderately, improvement expected in near term as coal traffic increases. Earnings next year expected to increase. Dividend earned by wide margin.

Rating–B^2

Bullard Company: One of the most important manufacturers of automatic machine tools. Earnings exceptionally high, and aided by EPT relief. This year's earnings higher than 1953. While near-term earnings may be moderately lower, general expansion in this field indicates good average earnings for the total of 1955. Dividend recently raised and can be maintained in view of ample coverage.

Rating–B^1

Oliver Corp.: While farm equipment sales have been lower, some improvement expected in view of moderately improved inventory position for the industry as a whole. Defense business probably will be maintained at satisfactory levels. Moderate gain in earnings in sight.

Rating–C^2

United Corp.: Gradual divestment from utility holdings into more general investment field. Dividend tax-free but prospects not too impressive for stock.

Rating–C^4

Transamerica Corp.: Company's huge banking interests in California and Oregon, in addition, to extensive insurance business, give sound basis for future growth in this rapidly growing part of the country. Also holds important industrial and real estate properties. General outlook for the company's earnings is satisfactory and dividends secure.

Rating–B^1

Standard Oil of Calif.: This giant integrated company is not only leader on West Coast but one of the world's great holders of oil properties, distributed over many important regions. Extensive growth in chemical field. Outlook for 1955 satisfactory and earnings should approximate those of 1954. Dividends, plus stock, can be maintained on the basis of payments in 1954.

Rating–A^2

Chicago Corp.: One of the smaller oil independents with an alert management. Company adding steadily to new oil properties, divesting itself of unpromising ones. Natural gas contracts provide growing revenue. Long-term outlook promising for this oil stock, which, however, is still in speculative category. Moderate dividend can be raised in view of good coverage in earnings.

Rating–C^1

Atlantic Refining: Company steadily reducing dependence on refining operations and adding to crude oil reserves through acquisition of new properties and more active development of older properties. 1954 earnings down from 1953 on account of lower margins for refined products but stabilization is expected next year and company should be able to approximate 1954 earnings, at least. Dividend is secure.

Rating–B^1

Royal Dutch: Please see comments in article on new listings on the New York Stock Exchange, on page 328.

Rating–A^2

(*Please turn to page* 352)

Rating of 200 Most Active Stocks

(*Continued from page* 351)

Tri-Continental: This is the largest of the closed-end investment trusts and, through acquisitions, has placed itself in a stronger position. Current dividend income is paid out but security profits retained to strengthen capital position. The last stated asset value of $36.88 per share is $12 a share above market price, lending some speculative interest.

Rating—C^2

Chi. Mil. & St. Paul: This marginal road has had a comparatively poor earnings record and while 1955 should show some improvement over the unfavorable 1953 record, general outlook does not appear promising.

Rating—C^4

Affil. Gas Equip.: Company occupies position in general heating field for household purposes mainly, also air-conditioning. Rather static record of earnings though sufficient to provide for moderate dividend.

Rating—C^2

Western Union: Recent years' developments in modernization and addition to new equipment have greatly strengthened earnings base of company. While costs, especially labor, are higher, more favorable rates are an offsetting factor. Company definitely in a long-term growth stage. Earnings are slightly lower for 1954 but should afford a satisfactory backdrop to dividends in 1955.

Rating—B^3

Philip Morris & Co.: The same situation with respect to the effects of the "cancer scare" which has marked the other tobaccos is true of this company. However, underlying company developments have more favorable potentials, especially through acquisition of Benson & Hedges which affords new filter-type cigarette to more effectively meet competition. Earnings have held up relatively well but dividend coverage is a bit narrow.

Rating—B^2

Aluminium, Ltd.: Company occupies highly strategic position in world aluminum industry and, through heavy expansion, is steadily increasing already very large productive capacity. Long-term position assured but large common stock representation contrives to hold down stated earnings per share. Dividend secure in view of company's strong finances.

Rating—A^2

Northrop Aircraft: Translation of large backlog into deliveries has maintained earnings at high rate. Filling orders for F-89s still principal source of revenue but increasing importance of company in guided missiles field a significant long-range factor. Earnings through next year should approximate those of 1954 and maintenance of current dividend rate, in addition to stock dividend, within the realm of strong probability.

Rating—C^3

United Airlines: Company has had a substantial earnings record in recent years. DC-7 planes in greater use, affording more profitable operations. Heavy depreciation charges probably will be continued through 1955, at least, but stated earnings should at least approximate those of 1954. Moderate dividend in view of good earnings record.

Rating—C^2

Cities Service: Constant addition of new reserves, through acquisitions and exploration permit an increasing degree of integration. Strong earning power demonstrated in recent years and outlook is for continuation through 1955. Dividends quite moderate in view of more than ample earnings coverage.

Rating—B^2

Allis-Chalmers: This highly diversified company engaged in manufacturing heavy equipment has demonstrated strong earning power which will probably continue for a considerable period. Road building and construction activity a stimulant to company's business. Dividend could be increased and a stock split later on in 1955 would not surprise.

Rating—B^1

Eastern Airlines: The most profitable of the major airlines, this company is in an enviable strategic position, possessing many of the best airline routes in the East. Sound financing of new planes places additional security behind the dividend rate.

Rating—B^2

Public Service Elect. & Gas: Growth aspects of New Jersey in recent years have increased potentials for this company. Dilution of common shares has held down stated earnings on a per share basis but steady, if slow, increase in annual earnings expected in view of the rapid industrialization and suburbanization of many of the territories in the state served. Dividend rate secure.

Rating—B^1

Kennecott Copper: Despite difficulties in Chile, this company is steadily expanding into related fields, as well as copper itself. Has become heavily interested in gold and uranium in South Africa and has entered the aluminum field, as well as titanium. Broad mining diversification presages sound long-term future. Earnings slightly lower this year but current dividend can be maintained.

Rating—B^2

Long Island Lighting: Situated in rapidly growing Long Island, this company's revenues have been increasing and new facilities are keeping pace. Due to dilution of common stock in recent years, stated earnings do not reflect steady growth in operating profits. Sufficient coverage for dividends warrant maintenance.

Rating—B^1

Union Carbide & Carbon: As one of the premier chemical concerns, this company commands attention because of its striking growth into many new fields, particularly alloys and plastics, and the more recent synthetic fibres. Heavy depreciation and amortization charges conceal the actual earnings to a considerable extent. Long-term growth strongly indicated in this company's prospects. Dividend secure.

Rating—A^1

Note: In some instances, where stocks have been marked (3) – partial profit-taking suggested– this in no way should be construed as an indication of the company's long-term prospects. It is merely a reference to the desirability of marking down costs, as temporary insurance. For persons desiring to retain these issues as long-term holdings, however, and who are not interested in accepting profits at this time and who may be indifferent to the possibility of temporary declines in market price, the suggestion to accept profits

partially can be disregarded.

With reference to the rating (²) – a general recommendation to hold, but not make new purchases –some of the companies thus listed have undeniably good long-term prospects and, conceivably, the stocks could sell considerably higher. However, in view of the substantial rise in some of the stocks thus listed, it has been deemed best to suggest that the best policy would be to wait a more favorable buying opportunity for investors who have not as yet possessed the particular stock while those who already own it, may be content with maintaining this position instead of adding to it, for the time being. —END

$50 Billion in New Spending For Roads

(*Continued from page* 310)

to Washington.

The turnpike-building spree is going forward amid an often-heated clash of opinion on this method of highway financing. Generally in favor are engineers, investment bankers and state officials. Truckmen, understandably, are less enthusiastic. The New York State Motor Trucking Association has estimated the rates figure out to about a 20-cent-a-gallon gasoline tax. Truckmen feel tolls would be unnecessary if all fuel and license taxes were used exclusively for road-building and associated purposes. Motorist groups, like the American Automobile Association, are generally outspoken in preferring free roads to pay roads. Some of these groups refer to tax and toll support of highways as "double taxation." They note, too, that it was originally assumed that toll roads, once paid for, would go free. But that hasn't happened. Indeed, Connecticut last year came into the open with the first planned perpetuation of tolls. The Legislature authorized continuation of tolls on parkways and expressways after the bonds have been retired.

A Major Turnpike

The most phenomenal undertaking in the history of toll projects is the New Jersey Turnpike. An issue of $220 million was sold to a group of life insurance companies in 1950. The companies invested on the basis of engineering estimates as to cost of the 118-mile toll road and other estimates on prospective traffic and revenues, carried out to the 1980s. Construction cost estimates were in error, so it was necessary to come back for $35 million more. That wasn't serious, because the estimate of prospective revenues also erred. Traffic this year has increased to a point not expected until the early 1980s. The daily average of traffic during the first nine months of 1954 was 67,300 vehicles, which compares with an engineering estimate for 1954 of 27,700 daily. Through Nov. 24 this year it carried 22,088,300 vehicles –83,000 more than during all of 1953.

In less than three years of operation the Jersey Turnpike has graduated from an unproven enterprise to the basis of a giltedge investment. Specialists in toll-road financing refer to it as a "gold mine." The bonds have been a rich investment, and original buyers have been selling out of the situation quietly, so that they now hold only about $165 million. Arrangements have been made for a secondary distribution of $75 million to $100 million.

The turnpike-thruway-freeway trend, of course, is opening up new vistas of business and living. For the manufacturer, they provide easier and less expensive access to markets. They also have encouraged families to move beyond city limits, causing a major revolution in shopping and leisure habits. These modern-day pioneers are responsible for the rise of whole new communities, which must build almost from scratch schools, churches, utility systems and the other amenities of American living.

Importance of Local Projects

A measure of their impact may be gleaned from even so minor a road job as a $2,000,000 lakefront bypass in Upstate New York. Geneva, a city of 17,000, is on Seneca Lake. Instead of spending 20 minutes crawling through Geneva's main business section, situated on the side of a short but steep hill, motorists now skirt the upstate city by traveling over a million-ton soil fill poured into the lake. This is expected to lure back shoppers from the surrounding area, who avoided the city when its streets were cluttered with through car and truck traffic. Traffic congestion inevitably runs down the value of property situated in the heart of town. Shopping centers spring up on the outskirts because people no longer want to spend the time it takes to crawl through a congested traffic area.

Geneva is only one of 27 cities in Upstate New York slated for relief of through-traffic congestion. These urban arterial route projects constructed or under contract total more than $58 million in that area alone. Similar programs, presented for nearby cities of Roches-

(*Please turn to page* 354)

$50 Billion in New Spending For Roads

(*Continued from page* 353)

ter and Syracuse, are expected to cost some $50 million each. While the state and Federal governments split actual construction costs, the city concerned has to provide half of right-of-way costs, with the state paying the rest.

An upsurge in the building of vehicular tunnels and bridges also is in prospect for the next decade. A bridge across the Hudson River is an ambitious part of the 400-odd miles of New York State's Thruway, which is to span the state from top to bottom. Virginia and New York have giant tunnel projects going. By 1957, when a third artery is ready for traffic, New Jersey commuters will have a new route into New York City. The Port of New York Authority is building the tube at a cost of about $100 million. Last year, over 20 million vehicles used the Lincoln Tunnel. The third tube will boost capacity by 50%. What this means to the steel industry is obvious.

And nobody who lives in that part of the country would be surprised if the tunnel continues to be glutted with traffic. Indeed, this is a situation that typifies road-building through most of the country. In other great cities conditions have reached the explosive stage. Los Angeles is a striking example of how a rapidly increasing population brought into the area by the growth of industry, which in turn creates a bewildering assortment of other new industries and other types of business, can render even new and modern highway systems inadequate for the purposes intended.

It may be that better, smoother and broader highways into our cities are not the answer to our traffic problems. Certainly, an efficient transit system, carrying hundreds in a few cars or scores in a bus, has obvious advantages over automobiles ferrying one and two passengers in bumper-to-bumper traffic.

While there may be some doubt as to the wisdom of this concentration on commuter highways to the detriment of the already depressed public transport systems, there is general agreement that we are headed for a national highway system that will enable a motorist to cross America without stopping for a traffic light. In fact, by 1956 you'll be able to do that very thing from New York to Chicago, in addition to which you won't have to climb a steep grade or negotiate a sharp curve. This will be achieved through the completion of a Delaware River bridge, spurs connecting the New Jersey and Pennsylvania turnpikes, about 400 miles of new road spanning Ohio and Indiana, and a brief Illinois route from the Indiana line to Chicago.

And there is general agreement on yet another point—the Eisenhower plan, designed to meet 1974 highway needs by 1964 will make the road-building industry a major factor in sustaining the national economy. Especially, will it sustain the producers of cement, asphalt, steel and stone. And with Americans buying some 6 million new cars every year it would not be surprising if we come up to 1964 with a highway system ideally suited for the traffic volume of 1954. —END

For Profit and Income

(*Continued from page* 333)

applies to virtually the entire group, including Celanese. We heretofore cited speculative possibilities in the latter at a lower level.

Coal

Probably no group, in recovery from depressed levels, has run farther ahead of probable earnings recovery—although moderate improvement seems likely – than the bituminous coal stocks. It is basically an uninviting field for investment or speculation. We would rather speculate on improved coal activity indirectly in coal-hauling rails such as Norfolk & Western, C. & O., Louisville & Nashville, and Virginian.

Chemicals

Good chemical stocks are high on reported net, but much more moderately priced on cash earnings which reflect heavy depreciation-amortization charges. On the basis of cash earnings and growth potentials, good choices for long-pull investment include Allied Chemical, American Cyanamid, Dow, duPont, Hercules, Monsanto, and Union Carbide. —END

The Helicopter — A New Field for Investors

(*Continued from page* 331)

for instance.

Here in the United States, the 'copter is gradually developing as an important factor in air travel. At the present time there are three good-sized helicopter operators, these being New York Airways, Inc., Los Angeles Airways, Inc., and Helicopter Air Services, Inc., the latter operating in the Chicago area. New York Airways, which started operating in late 1952, carrying mail, freight and passengers within the New York city metropolitan area last month widened operations by extending passenger service to White Plains, N. Y., and Stamford, Conn., from LaGuardia Airport. *National Airlines,* which operates a fleet of DC-6s and DC-7s between New York and Miami and other points, inaugurated 'copter service last Spring carrying passengers between Miami and West Palm Beach and the towns along the route.

Increase in Commercial Fleets

Unquestionably, use of 'copters for carrying freight and passengers is on the increase. The rate of expansion, comparatively slow up to now, is likely to accelerate considerably with continued use of this type of transport and the introduction of units capable of carrying heavier pay loads.

Sikorsky Aircraft, a division of *United Aircraft Corp.,* a pioneer in developing the 'copter had its S-55 model, a 10-to-12 place machine begin commercial service in 1953 by Sabena, National Airlines, and the several helicopter lines now operating in this country. Since then, Sikorsky has developed its S-56, a highly advanced, twin-engined helicopter, capable of carrying 26 fully equipped combat troops at speeds in excess of 150 miles an hour. This unit, developed as an assault vehicle for the U. S. Marine Corps, is powered by two Pratt & Whitney Double Wasp piston engines providing it with more power than any other helicopter previously. Both the Marine Corps and the Army Field Forces have placed orders for the S-56, and it is likely that immediate production will be limited to filling these demands. However, in

view of the normal civilian passenger capacity of 30 to 35 for the S-56, and the indicated potentialities of rotary-wing aircraft in short-haul commercial operations, the big new helicopter's market may extend well beyond the military field for which it was specifically designed. Sikorsky is not stopping with the S-56. It has already developed the S-58, a large single-engined type of 'copter and at the same time is expanding production facilities through a new plant at Stratford, Conn., which will double the capacity of its present Bridgeport factories.

Bell Aircraft Corp., long identified with the aircraft industry, and which in recent years has expanded its interests into electronics and servomechanisms in relation to its guided missiles program, has also developed as an important designer and manufacturer of helicopters. As early as at the beginning of 1953, Bell had delivered its 1,000th helicopter, and shortly after that made its first delivery to the U. S. Navy of a Bell HSL-1 helicopter. This is an anti-submarine twin rotor craft for which the Navy has placed additional orders.

Another helicopter being manufactured is the Bell 47G, introduced only last year. This is the latest improved version of the company's standard 'copter, a three-place ship, incorporating many advances in design and engineering and like its predecessors, the M47 is being used in both military and private commercial services. Bell's engineering efforts continue in the helicopter field, attention being devoted to development of larger, more powerful 'copters capable of carrying greater loads on a paying basis.

There are other prominent names in the helicopter field. These include the Piasecki Helicopter Corp., which has built a reputation for itself through its HUP 'copters designed specifically for Navy use, and its H-25, a large tandem-rotored aircraft designed particularly for Army service. The Kaman Aircraft Corp., is also designing and building 'copters, chiefly for the Navy.

It is likely that other companies of long standing in the aircraft industry will enter the helicopter field, a natural development considering the potentials of this type of craft for civilian use. It was only last Spring that *Fairchild Engine & Airplane Corp.*, famous, among other products, for its "flying box cars," acquired control of the American Helicopter Corp., which designed and built the XH-26, a single-place pulse jet, the possible forerunner of the formation of "sky cavalry." *Douglas Aircraft Co.* it is understood, has been weighing the potentials of the helicopter market. While the company possibly could be considering the needs of the Armed Forces for a large helicopter manufacturing potential, it is undoubtedly giving some thought to the possibility of producing 'copters for the commercial market. If this is the case, it is certain that other companies now producing fixed-wing planes are keeping an eye on the rapid expansion in the use of helicopters and awaiting an opportune time to get into this new field. —END

The Trend of Events

(*Continued from page* 300)

appropriations from previous years.

It is now necessary for the Defense Department, in consideration of the drop in the backlog of earlier appropriations, to go before Congress with requests for new funds. Assuming these grants are approved, the decline in defense spending will turn into an accelerated increase by the end of the fiscal year. This is highly significant, for the lack of sufficient defense spending in 1953-54 was one of the principal factors in preventing a rise in the general economy. Even the unprecedented increase in construction and the satisfactory level of consumer buying in 1954 were not sufficient to fully compensate for the loss of defense business. For this reason, the anticipated rise in military spending is of great importance insofar as the business trend for 1955 is concerned.

No doubt, the conservatives in the Senate will fight against a rise in appropriations in an effort to keep the budget from getting too far out of balance. However, in view of the very great strength in Congress of members who are not only opposed to any cuts in defense whatever, but who want our defense maintained at full strength, almost regardless of cost, it is not likely that the Defense Department is going to be defeated in its expensive aims.—END

BOOK REVIEW

The Desperate Hours

By JOSEPH HAYES

Suppose a trio of desperate escaped convicts—vicious and frightened—simply took over *your* home?

The Hilliards' nightmare began in broad daylight, when—by an incredible twist of wate—three escapees from the Federal prison at Terre Haute chose a home just outside the city limits of Indianapolis as a temporary hideout. The innocent courage of the helpless family—husband, wife, daughter and small son; the arrogance of the trigger-happy criminals; the deep-seated desire for vengeance of a deputy sheriff—these forces speed this taut story toward its terrifying end.

Random House $3.50

Canada Gets Bill for Speculative Excesses

(*Continued from page* 319)

million a year, in the so-called "invisible" transaction with the rest of the world. These transactions include the payments for freight, royalties, tourist spending, and, above all, payments of interest and dividends. As will be seen from the accompanying table, the gross payments of interest and dividends to the United States alone came to about $350 million in 1953. The transfer of these interest and dividend payments would have been much more burdensome had it not been for the reinvestment of profits which runs at the annual rate of about $150-$200 million yearly. Nor do the current interest and dividend payments fully reflect the magnitude of American investments in Canada. These investments, as the reader will see from the same table, rose from about $5.2 billion in 1946 to an estimated $9¼ billion at the end of 1954. If the reinvestment of profits should decline in the future, Canada may be required to pay $500 million in interest and dividend payments to American investors alone. This may prove a difficult amount to finance.

Gap Closed by Inflow of Speculative Funds

In the past, Canada's huge deficit in the so-called current account transactions, which include merchandise trade and "invisible" items, has been amply offset by the inflow of different types of capital. In 1952, for example, the bulk of this capital consisted of the flow of direct investment capital into Canadian mines, petroleum developments, railways (the Labrador iron ore railway), and manufacturing enterprises. This inflow was still substantial in 1953, when British, Dutch, and Belgian capital, besides American, sought investment opportunities in Canada.

With some of major projects—such as the building of petroleum pipelines, the big Alcan plant in Kitimat, and the Hanna iron ore development in Labrador—in final stages of construction—the inflow of direct investment capital subsided and instead the inflow of the so-called portfolio capital began to assume increasing importance, reaching a very high level during the first half of 1954. This has been capital raised by Canadian provinces, municipalities, utilities and private corporation in the U. S. market, because of generally lower interest rates here.

The raising of new money in this market by Canadian authorities and corporation contributed greatly to the strength of the Canadian dollar during the latter half of 1953 and the first quarter of 1954. The Canadians are naturally proud of the fact that their currency sells at a premium to the dollar, but they are not particularly happy about it. That is especially true about Canadian exporters. A high dollar encourages imports and discourages exports. There is a great deal of evidence in the form of heavy purchases of U. S. dollars by the Bank of Canada and in a comparatively easy monetary policy that the Canadian authorities were in recent months in favor of keeping down the dollar premium.

Yet the Canadian dollar has remained strong. What the Canadian authorities have not counted upon, is the inflow of still another type of funds that up to now have played a relatively small role in keeping the Canadian dollar above parity. This most recent capital inflow has represented the money of American investments trusts for purchases of Canadian blue chip stocks, the prices of many of which have been forced up to levels where they yield less than comparable American stocks. The inflow of speculative funds for investment in "moose pasture" stocks has also materially contributed to the maintenance of the premium on the Canadian dollar.

Nobody Happy—Too Much of a Good Thing

The present American investing in Canada is clearly too much of a good thing. Canada's future may be brilliant, but the stocks of many so-called development and exploration companies are outright "gyps," and the American public should be protected against promoters who have moved in.

Nor are the Canadians happy about the recent inflow of speculative capital. Compared with the United States, the Canadian economy is small—comparable perhaps to that of the states of Illinois and

(*Please turn to page* 358)

Isn't This The Kind of Service You Want?

On July 20, 1954, Mr. C. B. of Hollis, N. Y. subscribed to The Forecast for one year. On October 20, three months later, he extended his enrollment to July, 1957, stating: *"Enclosed is my check for $200 to cover extension of my subscription, which is only a few months old, for a period of two years. The experiences I have had in the short time I have your service, justify my doing so. I bought 50 Sperry at 64½, sold 25 at 77½. You can see my outlay has already been covered by the 25 Sperry."*

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Washington Letter—Ahead-of-the-News Interpretations of the significance of Political and Legislative Trends.

Weekly Business Review and Forecast of vital happenings as they govern the outlook for business and individual industries.

This satisfaction typifies the attitude of our subscribers who have shared in our highly profitable record this year. For example, in our April 13th bulletin we advised all subscribers to buy General Dynamics at 43 (to yield 8.1%). At this writing it is selling at 67 . . . with a profit of 24 points or 55.8%.

This Forecast selection may eventually equal our recommendation of Boeing in December, 1953 at 46 (yield 10.8%).

In May it was split 2-for-1, marking subscribers' cost to 23. It is now at 62⅛ . . . showing 39⅛ points rise—over 170%.

Southern Railway—recommended at 61—was split 2-for-1—cutting our buying price to 30½. It is currently at 61½ giving subscribers 101% appreciation. The $3.50 dividend means an 11.47% yield at our cost price.

PROFITS AVERAGE 49.5% — INCOME AVERAGES 7.67%

On all 10 Forecast recommendations now being carried our gains average 49.5% — dividend yield averages 7.67%. Subscribers are kept informed on new company developments . . . and we will advise them when to take profits — where and when to reinvest.

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The time to act is now — so you will be sure to receive all our new and coming selections of dynamic income and profit opportunities.

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Canada Gets Bill for Speculative Excesses

(*Continued from page* 356)

Ohio combined. An investment of $200 to $300 million of speculative funds in American securities would hardly cause a ripple. But $200 to $300 million invested in Canadian security markets which are relatively narrow is likely to have considerable repercussions.

The Canadians have always welcomed American capital. They have realized that U.S. assistance in the development of their vast natural resources is essential. But there are many people in Canada who are beginning to question the wisdom of letting outsiders skim off the cream of their securities, while they are being forced to invest in riskier securities or to send their money abroad. The Canadians are worried that the speculative capital may distort their international payments position and impart temporarily problematical strength to the Canadian dollar. The Canadians are naturally interested in the investment funds that stay and that contribute to the economic development of the country and to the strengthening of the balance of payments.

It is easy to imagine what would happen if the Canadian economy should slacken or if the present dollar premium on the Canadian dollar should be replaced by a small discount. A wave of stock liquidation and of fund repatriation would probably follow, resulting in a further decline in the discount on the dollar and in an upset in Canada's international payments. For this reason and for the sake of maintaining the future development of Canada on a sound basis, both United States and Canada have a stake in seeing to it that speculative excesses are avoided in the Dominion—END

Disposition of Corporate Income

The profits share of total income originating in corporations amounted to about 21 percent in the first half of 1954. The total of corporate property income, consisting almost entirely of profits since the prewar decline of interest charges, has been about one-fourth of all income from corporations in most prosperous peacetime years. The share of profits appears to have been somewhat lower in 1952—probably reflecting the impact of the steel strike—and in 1953, when it was affected by the onset of the current business readjustment in the latter half of the year.

The decline in after-tax profits relative to the total during this readjustment has been much smaller, of course, since the bulk of the reduction in before-tax profits was absorbed by a drop in taxes. In recent years, profits before tax have been divided roughly equally between taxes on corporate profits and profits after tax. Corporate profits after tax as a proportion of corporate income originating, have amounted to around 10 percent in late years, a considerably smaller percentage than in the earlier postwar period.

Profits, Taxes, and Dividends

Before-tax profits in the first two quarters were steady at a seasonally adjusted annual rate of $34½ billion, compared to about $42 billion in the first half of last year. Their $7½ billion decline reflects not only the drop in the profits share as defined for national income purposes but also the disappearance of inventory gains, which had amounted to almost $1 billion in the earlier pe-

(*Please turn to page* 360)

BOOK REVIEWS

A Practical Manual of Effective Supervision

By C. A. TURNER

The aim of this manual is to underscore and to clarify certain definite principles that will help develop supervisors who can meet the full responsibility of their stewardship with increasing satisfaction and efficiency.

For the first time in any book on this subject, the essence of the practical findings of modern psychological research are utilized. The tested and proven principles of engineering and general semantics are also integrated into this more comprehensive approach.

Julian Press $5.00

Investor's Road Map

By ALICE B. MORGAN

Written from the point of view of the special requirements of women investors, this useful little book describes in easy language the elementary facts of investment life. It both serves to encourage women to take a greater interest in investments and, more important, helps them to arrive at a greater understanding.

Alice B. Morgan, Brist 1, R.I. $2.00

Disposition of Corporate Income

(Continued from page 356)

riod.

Federal and state income tax liability accruing in the first half of this year is estimated at a seasonally adjusted annual rate of $17 billion, down $5½ billion from the same months of 1953. Part of the reduction is due to the removal of the Federal excess profits tax. Much of it, however, is simply a reflection of the drop in the tax base. It should be noted that the present estimates of tax liability for early 1954 are less firm than the other figures used in this review, since there is less information on which to base them. The margin of error, however, is not large enough to affect the general outline of events given here.

At an annual rate of $17½ billion in each of the first two quarters in 1954, after-tax profits were down $2 billion from January-June 1953, the $5½ billion reduction in Federal income taxes having absorbed most of the much larger decline in before-tax earnings. Apart from the effect of inventory gains and losses, this year's first-half rate was about the same recorded in other years since 1950.

In the early part of 1953, as in most of the period since 1940, more than half the total after-tax earnings of corporate business had been set aside as undistributed profits. The total so retained in the first half of this year—about 45 percent of after-tax profits—amounted to $8 billion at annual rates, compared to $10½ billion a year before, as corporations absorbed the $2 billion decline in after-tax profits and increased dividend payments $½ billion.

—*Survey of Current Business*

NOTICE

In a few copies of our November 27th Edition, some blank pages appeared through mechanical failure. To any subscriber who received such incomplete issues we offer our apologies and ask that you let us know so we may replace them with perfect copies at once.

BOOK REVIEWS

A STUDY OF HISTORY
By ARNOLD TOYNBEE

Volumes VII-X of the monumental Study of History by Prof. Toynbee are now available to the public. This is undoubtedly one of the great works on the history of civilization. The range of the noted historian's mind is universal and is particularly fascinating because he departs—on suitable occasions—from normal history-writing to delve into the future. In this great work the reader has an unparalleled opportunity to learn from one of the greatest minds of this age. It is a work to refer to over the years.
Oxford University Press $35.00 (4 vol.)

AMERICAN HERITAGE

This is a "book-periodical" to be issued six times a year. As the title suggests, the subject matter deals with America and roams wide over its past, present, and we are led to expect, its future. One feels from the affectionate, as well as authoritative, treatment of the many-faceted topics covered, a close kinship with the fascinating history and traditions of our fabulous country. Profusely illustrated, it is as pleasant to the eye as it is nourishing to the mind.
The Magazine of History
$12.00 (yearly rate)

POLAND • WHITE EAGLE ON A RED FIELD
By SAMUEL L. SHARP

In this hard-hitting book Mr. Sharp analyzes the problem of Polish independence in strictly political terms. An emotionally charged atmosphere surrounds this problem, and the author's emphasis on the role of power politics in its solution will arouse argument. But this book is all the more enlightening for the American citizen, for it presents in clear and lively language the objective facts which must determine his country's foreign policy toward Poland.

Mr. Sharp reviews ten centuries of Polish history to explain the recurrence of tragic complications in the political life of a country without natural frontiers, located between a dynamic Germany and a dynamic Russia. He devotes special attention to the international, economic, and social difficulties which plagued Poland in the period between the two wars and which contributed to the collapse of Polish statehood twenty years after its miraculous revival in 1918.

The concrete international policies now required of the United States by its new role in world politics are sure to affect, says Mr. Sharp, our "traditional friendship" toward Poland — now Russia's largest satellite. Stripped of nonpolitical terminology, the choices now before us are: to continue a policy of containment and hope for a negotiated settlement when the fabric of Russian control wears thin; to abandon Poland and the other satellites, or to drive Russia out by force of arms.
Harvard Univ. Press $5.00

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